

WASTEFUL MANAGEMENT OF HUD FUNDS IN PUBLIC HOUSING TENANT PROGRAMS

HEARING BEFORE THE SUBCOMMITTEE ON HUMAN RESOURCES AND INTERGOVERNMENTAL RELATIONS OF THE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT HOUSE OF REPRESENTATIVES ONE HUNDRED FOURTH CONGRESS FIRST SESSION

NOVEMBER 9, 1995

Printed for the use of the Committee on Government Reform and Oversight



U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1997

40-127

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-055037-8

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WASTEFUL MANAGEMENT OF HUD FUNDS IN PUBLIC HOUSING TENANT PROGRAMS

THURSDAY, NOVEMBER 9, 1995

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HUMAN RESOURCES AND
INTERGOVERNMENTAL RELATIONS,
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:35 a.m., in room 2247, Rayburn House Office Building, Hon. Christopher Shays (chairman of the subcommittee) presiding.

Present: Representatives Shays, Morella, Martini, Towns, Barrett, Green, and Fattah.

Staff present: Lawrence J. Halloran, staff director and counsel; Demi Greatorex, professional staffmember; Thomas M. Costa, clerk; and Cheryl Phelps, minority professional staff member.

Mr. SHAYS. I would like to call this hearing to order and welcome our witnesses and also our guests. We are looking forward to this hearing and learning about a number of issues that are on the table.

This is the first of two hearings on the management of public housing tenant technical assistance funds by the Department of Housing and Urban Development [HUD]. Questions about the appropriate use of limited tenant training funds were first brought to the subcommittee's attention by Representative Bill Martini. Understandably, he asked us to investigate whether and to what extent HUD funds were permitted to pay for travel and expenses for an event billed by its sponsors as your family vacation that will be unforgettable. That billing speaks volumes.

Let it be clear from the outset that these hearings will not challenge the goals of tenant empowerment initiatives. Resident management can improve public housing living conditions significantly and enhance the lives of public housing residents. During my visit to Chicago's Cabrini Green public housing development, I saw firsthand what trained, motivated resident leadership can do to reduce crime and to stimulate economic development.

It is the management and effectiveness of current HUD technical assistance programs about which I have serious concerns. In the Tenant Opportunities Program [TOP], the potential for inappropriate expenditures for travel and consulting services raises questions about both the design of the program and about HUD's monitoring to ensure TOP grant funds are used effectively.

When HUD appears to sanction the use of travel funds for vacations, when consultants and other intermediaries dominate the

grant process, or when technical assistance grants are used to duplicate other social service programs, scarce resources are wasted and tenant aspirations to self-sufficiency are thwarted. And when a resident management corporation is not adequately compensated for its services, as currently was the case in Cabrini Green, HUD and the Public Housing Authority undermine the statutory directive to encourage resident management of public housing projects.

In this hearing, representatives from HUD have been asked to explain how they manage tenant empowerment, particularly the expanded \$24-million TOP program. The HUD Inspector General has been asked to offer her observations on the operation and effectiveness of technical assistance grant programs, and a tenant management advocate has been asked to describe the role of HUD, the PHA, and consultants in successful tenant initiatives.

Representatives from the National Tenants Organization [NTO], which sponsored the meeting in Puerto Rico, declined to testify today, as did the consultant who prepared and sought to be paid \$60,000 from each of six TOP grants awarded, but subsequently rescinded, by HUD. They will be invited and, if necessary, compelled to provide testimony at our hearing on December 12. We will also invite a representative of the Detroit tenants who attended the NTO meeting in Puerto Rico, as well as representatives from other public housing tenant organizations.

Our oversight responsibilities require us to pursue allegations of waste and abuse in Federal human service programs. In this instance, we will do so until we are satisfied that the statutory mandate to encourage public housing tenant management is being implemented effectively and efficiently.

At this time I would like to call on the ranking member of this committee, Mr. Towns.

Mr. TOWNS. Thank you very much, Mr. Chairman, for having this hearing.

First and foremost, I want to point out that the allegations of mismanagement and abuse that we will consider as evidence of HUD's poor administration of the TOP program are simply that, allegations, and nothing more and nothing less. I am pleased that we have scheduled a second day of hearings to provide the direct intermediary recipients of TOP funds the chance to respond to the subcommittee's concerns.

Mr. Chairman, the whole concept of providing direct Federal funding of resident management efforts was first advocated by the former Secretary of HUD, my good friend Jack Kemp, and passed into law in 1988. Even so, the theory that public housing residents could somehow manage their own communities was not met with enthusiastic congressional support. In the beginning, it was only \$2.5 million, in 1988. Then, of course, in 1991, we increased it to \$5 million, and now it is up to \$25 million, in 1995.

This \$25 million represents the total of Federal housing dollars provided directly to residents living in Federal housing. But this minuscule percentage of the HUD \$7.5-billion budget somehow takes on the significance of the entire national debt in the hands of the tenants. And ironically, the broad-based initiatives underway in this Congress to return control to the local level suffer criticism in this program.

I am not willing to accept that public housing residents are incapable of self-determination or that the TOP program must be dismantled or downsized because of its ineffectiveness, as is sometimes said. However, the program must demonstrate improved resident performance and accountability if it is to thrive.

I welcome the strongest criticism of this program but ask that each criticism be counterbalanced with recommendations for improvement. And just in case we find that something is wrong, if we were examining the problems of a university, and if we found one student cheating, we wouldn't close down the university; we would try to correct the problem.

Finally, for each example of misuse of funds and deficiencies in HUD management that we will consider today as evidence that the TOP program does not work, I am willing to bet that there are an equal or greater number of success stories to point out that it does work.

So, Mr. Chairman, I am hoping that we will look at the information today, and may I also add that I am delighted that you have agreed to have a second round of hearings where we can sort of get the other side of the story, as well. So thank you very, very much for this hearing.

I yield back.

[The prepared statement of Hon. Edolphus Towns follows:]

**OPENING STATEMENT OF REP. ED TOWNS
SUBCOMMITTEE ON HUMAN RESOURCES
AND INTERGOVERNMENTAL RELATIONS**
"Management of HUD Funds in Public Housing Tenant
Training and Leadership Programs"

November 9, 1995

CHAIRMAN SHAYS, THIS HEARING PROVIDES US THE OPPORTUNITY TO TAKE A CRITICAL LOOK AT MERIT AND INTEGRITY OF HUD'S TENANT OPPORTUNITIES PROGRAM (TOP). I AM CONFIDENT THAT YOU HAVE PLANNED THIS HEARING AS A CAREFUL AND BALANCED EXAMINATION OF THE ISSUES, AND I LOOK FORWARD TO PARTICIPATING IN THE SUBCOMMITTEE'S REVIEW.

FIRST AND FOREMOST, I WANT TO POINT OUT THAT THE ALLEGATIONS OF MISMANAGEMENT AND ABUSE THAT WE WILL CONSIDER AS EVIDENCE OF HUD'S POOR ADMINISTRATION OF THE TOP PROGRAM ARE SIMPLY THAT...ALLEGATIONS. I AM PLEASED THAT WE HAVE SCHEDULED A SECOND DAY OF HEARINGS TO PROVIDE THE DIRECT AND INTERMEDIARY RECIPIENTS OF TOP FUNDS THE CHANCE TO RESPOND TO SUBCOMMITTEE CONCERNS.

MR. CHAIRMAN, THE WHOLE CONCEPT OF PROVIDING DIRECT FEDERAL FUNDING OF RESIDENT MANAGEMENT EFFORTS WAS FIRST ADVOCATED BY FORMER HUD SECRETARY KEMP AND PASSED INTO LAW IN 1988. EVEN SO, THE THEORY THAT PUBLIC HOUSING RESIDENTS COULD SOMEHOW MANAGE THEIR OWN COMMUNITIES WAS NOT MET WITH ENTHUSIASTIC CONGRESSIONAL SUPPORT -- \$2.5 MILLION IN 1988, \$5 MILLION IN 1991, THEN \$25 MILLION IN 1995.

THIS \$25 MILLION REPRESENTS THE TOTAL OF FEDERAL HOUSING DOLLARS PROVIDING DIRECTLY TO RESIDENTS LIVING IN FEDERAL HOUSING. BUT THIS MINUSCULE PERCENTAGE OF THE HUD \$7.5 BILLION BUDGET SOMEHOW TAKES ON THE SIGNIFICANCE OF THE ENTIRE NATIONAL DEBT IN THE HANDS OF THE TENANTS. AND IRONICALLY, THE BROAD BASED INITIATIVES UNDERWAY IN THIS CONGRESS TO RETURN CONTROL TO THE LOCAL LEVEL SUFFER CRITICISM IN THIS PROGRAM.

I AM NOT WILLING TO ACCEPT THAT PUBLIC HOUSING RESIDENTS ARE INCAPABLE OF SELF-DETERMINATION, OR

THAT THE TOP PROGRAM MUST BE DISMANTLED OR
DOWNSIZED BECAUSE IT IS INEFFECTIVE. HOWEVER, THE
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PERFORMANCE AND ACCOUNTABILITY IF IT IS TO THRIVE. I
WELCOME THE STRONGEST CRITICISMS OF THIS PROGRAM,
BUT ASK THAT EACH CRITICISM BE COUNTERBALANCED
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EQUAL OR GREATER NUMBER OF SUCCESS STORIES. I INVITE
OUR WITNESSES TO SHARE THE POSITIVE ACHIEVEMENTS
RESULTING FROM TOP GRANTS.

Mr. SHAYS. I thank the gentleman and would like to acknowledge that I have not formed an opinion as to whether this program should be discontinued. Obviously, if the program continues, it needs to be improved. However, I have an open mind and look forward to hearing from our witnesses to get a better sense of the program.

I would also reiterate that we might not have needed the second hearing had the witnesses mentioned earlier been willing to come to this hearing. But we will have that second hearing. It is necessary to get a full view of the issue.

At this time, I would like to ask Mr. Martini if he has a statement.

Mr. MARTINI. Yes, thank you, Mr. Chairman, and I would like to begin by thanking you, Mr. Chairman, for holding today's important hearing.

As you are aware, my office recently received documents which seemed, at the very least, to suggest a highly questionable use of taxpayer dollars to fund the National Tenants Organization's annual convention in San Juan, Puerto Rico. I felt, upon receipt of those documents, that it was my obligation to share these materials with the subcommittee so that a full and complete investigation could be conducted. And I want to commend you, Mr. Chairman, and the subcommittee staff for their swift and thorough action on this matter in bringing this hearing forward today.

Let me begin by saying this came to my attention in August when Gary Shaer, a Democratic city councilman in the city of Passaic, NJ, in my district, notified my office that two residents of the Alfred Spear Resident Council had asked the Passaic Housing Authority for a loan of \$2,860 so they could attend the National Tenants Organization's annual convention in San Juan, PR. The housing authority of the city of Passaic astutely denied this request, and I commend them for that decision.

In fact, Councilman Shaer was absolutely dismayed that HUD funds could be used for what the National Tenants Organization promoted as an unforgettable vacation for public housing residents across the country. With a public housing waiting list of over 4,000 residents, Councilman Shaer could not comprehend sending two Passaic residents to the Caribbean.

I am very troubled myself by the egregious promotion of the NTO's August 20 convention. The event was billed as, "a vacation that will be unforgettable." Taxpayer dollars provided attendees of the convention with, "casinos for dads; exotic shopping, beauty salons for complete pampering for moms; and appetizing, savory, delicious foods for the family meals."

Despite this promotion, Ed Moses, HUD Deputy Assistant Secretary for Community Relations Involvement, in a June 17, 1995, letter, stated, "The NTO Convention is an allowable training activity for reimbursement under public housing funds, including but not limited to operating subsidy, comprehensive grant program, TOP, or other HUD funds."

This is exactly the type of waste, fraud, and abuse that sickens the American people, and I do not believe that the average American feels that their tax dollars should be funding an unforgettable vacation for public housing recipients, or for anyone, for that mat-

ter. It is very difficult for this Member of Congress to comprehend how an event like this is an acceptable use of taxpayer funds.

As, unfortunately, has all too often been the case, in my experience in the last 10 months, what may have begun as a well-intentioned Federal program has become a telling example of big Government that has grown out of control, largely due to waste, fraud, and abuse.

In my opinion, if it is determined that these seminars are, in fact, necessary, then I believe it would be more appropriate for residents to attend regional seminars instead of Caribbean excursions. It is also my understanding that there are plenty of local and regional conferences within the Northeast corridor. In fact, the director of the Passaic Housing Authority, Eric Kolbe, who denied the request, I might add, stated, "There are, in fact, enough workshops that take place between Washington, Philadelphia, New Jersey, and Baltimore that tenants do not have to travel further."

Before I conclude my remarks, I want to touch on another issue that members of the subcommittee should be cognizant of. It seems to me that this convention represents another example of a taxpayer-funded lobbying effort. NTO's own invitation letter states, "We must assure that this theme is understood by Congress. Housing and education program must not be cut to provide more money for prisons. Only we, NTO, can do so by virtue of our history of advocacy." The invitation packet distributed by NTO also included a lobbying fact sheet which stated, "Congress is threatening to repeal the Brooke amendment."

So not only are the American people providing a free island vacation, but the taxpayers are picking up the tab for a public housing lobbyist training seminar.

Mr. Chairman, this type of abuse must come to an end. I am hopeful that today's hearing will begin the process that will allow us to put an end to this flagrant misuse of Federal funds. As we move down the path toward fiscal responsibility and a balanced budget, it is very disheartening to learn about such incidents. In my opinion, this is the Federal Government at its worst.

Mr. Chairman, I am committed to working with you and other members of this committee to ensure that this type of waste, fraud, and abuse does not continue. Accordingly, I am looking forward to the testimony we are about to hear and appreciate your assistance in getting to the bottom of this important matter.

I yield back the balance of my time.

[The prepared statement of Hon. William J. Martini follows:]

Statement and Questions for
Congressman Bill Martini
Subcommittee on Human Resources
Wasteful HUD Programs
November 9, 1995

Mr. Chairman, I would like to thank you for holding today's important hearing.

As you are aware, my office recently received documents which seemed, at the least, to suggest a highly questionable use of taxpayer dollars to fund the National Tenants Organization (NTO) annual convention in San Juan, Puerto Rico.

I felt it was my obligation to share these materials with the Subcommittee so that a full investigation could be conducted. I want to commend the Chairman and the Subcommittee staff for their swift and thorough action on this matter.

In August, Gary Schaer, a Democratic City Councilman from Passiac, New Jersey, notified my office that two residents of the Alfred Speer Village Resident Council had asked the Passaic Housing Authority for a loan of \$2,860.00 so they could attend the National Tenant Organization's (NTO) annual convention in San Juan, Puerto Rico.

The Housing Authority astutely denied this request and I commend them for that decision.

In fact, Councilman Schaer, was absolutely dismayed that HUD funds could be used for what the National Tenants Organization promoted as an unforgettable vacation for public housing residents across the country.

With a public housing waiting list of over 4,000 residents, Councilman Shaer could not comprehend sending two Passaic residents to the Caribbean.

I am very troubled by the egregious promotion of the NTO's August 20th convention. The event was billed as, and I quote, **"a vacation that will be unforgettable!!"** Taxpayer dollars provided attendees of the convention with and, I again quote, **"Casinos for Dads," "Exotic Shopping, Beauty Salons for complete pampering for Moms," and "Appetizing, Savory, Delicious foods for the family meals."**

Despite this, Ed Moses, HUD Deputy Assistant Secretary for Community Relations Involvement, in a June 17, 1995 letter, stated, the **"NTO Convention is an allowable training activity...for reimbursement under public housing funds, including but not limited to operating subsidy, Comprehensive Grant Program, TOP, or other HUD funds."**

This is exactly the type of waste, fraud, and abuse that sickens the American people. I do not believe the average American feels that their tax dollars should be funding an "unforgettable vacation" for public housing recipients or anyone for that matter.

It is very difficult for this Member of Congress to comprehend how an event like this is an acceptable use of taxpayer funds.

Somewhere along the way, we seem to have lost sight of the fact that public housing was designed to be a transitional program to help economically distressed people get through difficult periods of time in their lives.

It would appear that public housing conventions and seminars that have been promoted in a manner similar to the one in question here today have somehow shifted the emphasis towards reinforcing or promoting public housing as a way of life rather than a transitional or short term solution as they are intended to be.

As is all too often the case, what may have begun as a well intentioned Federal program has become a telling example of big government that has grown out of control.

In my opinion If it is determined that these seminars are in fact necessary, then I believe it would be much more appropriate for residents to attend regional seminars instead of Caribbean excursions.

It is my understanding, that there are plenty of local and regional conferences within the Northeast corridor. In fact the Director of the Passaic Housing Authority, Eric Kolbe stated, "Enough workshops take place between Washington, Philadelphia, New Jersey, and Baltimore that tenants do not have to travel further."

Before I conclude my remarks, I want to touch on another issue that Members of the Subcommittee should be cognizant of.

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NTO's own invitation letter states, "...We must assure that this theme is understood by Congress. Housing and education programs must not be cut to provide more money for prisons. **Only we [N.T.O.] can do so by virtue of our history of advocacy.**"

The invitation packet distributed by NTO also included a lobbying fact sheet which stated, "**Congress is threatening to repeal the Brooke amendment!**" So not only are the American people providing a free island vacation, but the taxpayers are picking up the tab for a public housing lobbyist training seminar.

Mr. Chairman, this type of abuse must come to an end. I am hopeful that today's hearing will begin the process that will allow us to put an end to this flagrant misuse of federal funds.

As we move down the path towards fiscal responsibility and a balanced budget, it is very disheartening to learn about such incidents. In my opinion, this is the federal government at its worst.

Mr. Chairman, I am committed to working with you to ensure that this type of waste, fraud and abuse does not continue.

Accordingly, I am looking forward to the testimony we are about hear, and appreciate your assistance in getting to the bottom of this important matter.

I yield back the balance of my time!

Mr. SHAYS. I thank the gentleman.

At this time I would call on Mr. Green, if he has a statement.

Mr. GREEN. Thank you, Mr. Chairman. I have a statement.

Just briefly, in response to my colleague from New Jersey, I am glad we are having the hearing today, because I was concerned when I saw the information about the seminar in Puerto Rico. And if it was paid for by tax dollars, I would like to, if we could, zero in on that, because the HUD tenant management empowerment programs have some really good proposals that I have seen and worked well in some areas. But, again, this may be a case of the money being used for purposes not intended.

I serve on another committee that comes up fairly often in our committee, Mr. Chairman, the Economic and Educational Opportunities Committee, and I see the effort in our committee and all through this Congress in block granting, as we have problems in the Federal Government in seeing that our funding is utilized as we expect it to be. I would expect, if we block grant, particularly the careers bill, that I see in my other committee and lots of other things, we will see just more and more examples of funding being abused that is not the intention of the Members of Congress who appropriated it.

But as much as I disagree with my colleague from New Jersey on the lobbying at taxpayer's expense, I would hope none of that money was used, but we don't limit people's freedom of speech when they go to seminars, hopefully.

With that, Mr. Chairman, I look forward to the hearing today.

[The prepared statement of Hon. Gene Green follows:]

Statement of Representative Gene Green
Subcommittee on Human Resources and Intergovernmental Relations
November 9, 1995

Y I would like to thank the Chairman for calling this hearing on the allegations of mismanagement in the HUD Tenant Management and Empowerment Programs. The particular details of the allegations are troubling and will be examined in greater detail this morning. These allegations also highlight the need for stronger control and oversight of federal money that is disbursed locally.

If the Congress is going to enact block grants--and it appears that is what is going to happen in several areas--Congress has to make sure that the funds are used for the purposes intended.

In my experience with the "Careers bill" in the Economic and Educational Opportunities Committee, I

believe we are creating future problems when we believe that giving money directly to governors assures us that money won't be misused or spent on foolish things. When we are talking about spending federal money we need to assure that there is accountability and oversight in the way the money is spent.

Mr. SHAYS. I thank the gentleman.

Mr. Barrett.

Mr. BARRETT. Thank you, Mr. Chairman. I appreciate the fact that you are holding this hearing, and Mr. Towns has been involved in setting it up, as well.

Unfortunately, I have a banking markup that is now in its third day. It is dealing with public housing, ironically, and I think that the markup is going to last so long that everyone who is currently living in public housing will be out of it by the time we are finished with this bill.

I do think that the hearing raises some important questions, in particular with respect to the Puerto Rican incident. I have not seen the brochure. I don't know if staff has the brochure, but I would be very interested in seeing the brochure. I think it certainly raises some very troubling questions, and I think it is imperative that we address that.

Thank you very much.

Mr. SHAYS. I thank the gentleman.

At this time, I would like to call our witnesses. If they would remain standing, because they will be sworn in.

Mr. Kevin Marchman, who is Acting Assistant Secretary for Public and Indian Housing, Department of Housing and Urban Development; also, Ms. Susan Gaffney, Inspector General from HUD; Mr. Ed Moses, deputy executive director for community relations and involvement, Chicago Housing Authority, the former Deputy Assistant Secretary for Community Relations and Involvement at HUD; and also, Michael Janis, who has appeared before this committee on many occasions, the General Deputy Assistant Secretary of Public and Indian Housing.

If you would all raise your right hands.

[Witnesses sworn.]

Mr. SHAYS. For the record, I would note that our witnesses all answered in the affirmative.

Just to take care of two housekeeping matters, I ask unanimous consent that all members of the subcommittee be permitted to place any opening statements in the record and that the record remain open for 3 days for that purpose. Without objection, so ordered.

I would also ask unanimous consent that our witnesses be permitted to include their written statements in the record. Without objection, so ordered.

Mr. Marchman, we will start with you. We sincerely thank all of our four witnesses for coming today.

STATEMENT OF KEVIN MARCHMAN, ACTING ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, ACCOMPANIED BY MICHAEL JANIS, GENERAL DEPUTY ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING; ED MOSES, DEPUTY EXECUTIVE DIRECTOR FOR COMMUNITY RELATIONS AND INVOLVEMENT, CHICAGO HOUSING AUTHORITY, AND FORMER DEPUTY ASSISTANT SECRETARY FOR COMMUNITY RELATIONS AND INVOLVEMENT, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT; AND SUSAN GAFFNEY, INSPECTOR GENERAL, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. MARCHMAN. Thank you, Mr. Chairman.

Let me first say that I appreciate the opportunity to clear up the allegations and accusations against the TOP program. As you know, it has been the President's and the Secretary's concern that any program out of the Department of Housing be run in such a way that does not cause these types of questions. So I appreciate the committee's concern over the matters, and I intend to address them in my remarks.

I have submitted my written testimony, and in the interest of time I won't read through that, but let me take a moment just to hit some of the highlights of my testimony and address specifically the three concerns that have been brought to us by the committee and the committee staff.

First of all, you know the TOP program began as a resident management program authorized under Section 20 of the 1987 Housing Act. It was written and promoted by the previous administration as a way to begin to empower residents and make sure that they had the necessary requirements and technical assistance to participate and become active in the decisions that affect their lives in the public housing developments. The objective of the program is to also provide training and technical assistance for residents to organize the communities and operate various resident management programs.

The progress of the program has been such that it was recently expanded after conversations and meetings with residents, public housing authorities, and the communities. The TOP program expanded based upon the requirements of the program but, more importantly, what was already allowed. We have simply expanded it, inasmuch as residents believed that they were interested in not only resident management but the creation of businesses, the linking back to the community, and that sort of thing.

Having now reviewed this program, the TOP program, I think I can say that we have seen successes in the TOP program. I have brought with me this morning a booklet that we put together some time ago to highlight the successes of the TOP program. But I believe, like any program, there are always things that come up in the creation of a program that people tend to look at and believe, perhaps, question. I want to address the three issues which I have been apprised of that are the concern of this hearing.

There has been much conversation with respect to the National Tenants Organization's conference in San Juan, PR, last year. I want to point out very quickly, this was not a HUD-sponsored

event. We did not pay for the conference. The way in which it was promoted or billed is a matter of the National Tenants Organization, not the Department of Housing.

At such national conferences held by either this tenant organization or others, we provide the opportunity for the organizers of the conferences to get training from the Department of Housing, and we had training seminars for residents at the San Juan conference, but we were merely participants in the conference; we weren't sponsors or organizers of the conference.

I believe, perhaps in your next panel, you will be able to ask the National Tenants Organization about the way in which they promote the conference. We, too, were concerned when we saw the advertisement of the conference billed as vacation, knowing that it would cause some concern, some alarm, because it doesn't fit the type of technical assistance that residents need. But, again, HUD did not underwrite the conference, nor HUD did not sponsor the conference; we were participants in it.

That being said, there is an issue that we are concerned about with respect to the conference, and that is, in a particular city, Detroit, I believe, there were a large number of residents that attended the conference. I think the number reached some 34. I am not quite sure how the residents of Detroit, whether they were TOP applicants or merely housing authority residents, could justify such a large number.

But, again, that is an issue that I believe we would want to talk to those TOP applicants about, but, more importantly, the housing authority of the city of Detroit, which paid for a number beyond what was mandated or at least allotted by HUD. Each TOP applicant was eligible to send up to two people to such a conference for travel or training. I am not quite sure why we got to the number 34, but I am sure, in today's hearing and the next hearing, we will see why that happened.

Again, we try to give the TOP applicants as much flexibility as possible and let them exercise their own judgment with respect to which training they would like to attend, whether it is down the street, around the block, or at a national conference.

The second issue that I am aware of had to do with a particular consultant working with the Wilmington Housing Authority residents, in which this particular consultant appeared to have been the consultant for six TOP applications. If we would have known it at the time, it would have been deemed unallowable, and it would not have gone forward. It was brought to our attention subsequently by Senator Biden and, in conversations with the consultant and with those TOP applicants, it was subsequently denied.

I think it is important to underline, if we would have known before being apprised of it from the Senator's office, we would have not allowed such an expense. We believe, in this particular case, that the residents were not aware of what they were getting into and perhaps were taken advantage of.

The third issue which I am aware of is the issue with respect to the PFS contract between residents of 1230 Burling in Chicago and the city's housing authority. In this particular case, it is a situation in which these residents have a resident management corporation. They were requesting from the Chicago Housing Authority their

share of subsidy that they would be able to manage and maintain their own building. The issue seems to be whether or not the Chicago Housing Authority allocated a fair representation of that subsidy for the RMC.

I think you will hear in testimony today that that issue has been cleared up. Again, it was brought to the attention of the field office in Chicago and subsequently acted upon. The new management of the Chicago Housing Authority, as I mentioned, has addressed the issue, and I am sure that you will hear from the residents of 1230 about the resolution of that.

That being said, I can tell you that, in working at the Chicago Housing Authority over the summer, issues such as this came up frequently, that a resident group might ask of the housing authority a particular request and it was not acted upon in months on the CHA side. At least on the HUD side, it is my understanding that the local office asked the Chicago Housing Authority to deal with this particular issue, yet it came to the committee and we are speaking about it today. I am comfortable that it has been taken care of.

With respect to management reforms, I should like to highlight that we have looked at TOP. Based upon the IG's review of the office a couple of years ago, we have made changes that have tightened up the office, probably more for more strict administrative measures than for any allegation of abuse of the funds.

Let me conclude by saying that anytime that we see any potential abuse of any HUD program, particularly programs that are designed for residents use, we have a deep concern. I think we are moving away from the time at which the residents of public housing were passive participants in HUD programs to a point at which they are fully involved in what happens. I know it is not the focus of this committee to question such a program. I think we all believe that the programs are sound and they are designed to meet their specific objectives.

So, finally, let me say that we are concerned. If there are abuses, we want to know. I have not been able to detect any fraud. We are reviewing every program, including resident management programs and the programs, at HUD for these types of allegations. I think I will stop there and wait for your questions.

[The prepared statement of Mr. Marchman follows:]

**STATEMENT BEFORE THE HOUSE GOVERNMENT
REFORM AND OVERSIGHT
SUBCOMMITTEE ON HUMAN RESOURCES
AND INTERGOVERNMENTAL RELATIONS**

**WASHINGTON, DC
NOVEMBER 9, 1995**



**BY
KEVIN MARCHMAN**

Chairman Shays and Members of the Committee:

Thank you for inviting me to testify before your Committee to discuss HUD's public housing resident empowerment initiatives. The Secretary and I appreciate your concern that resident programs are managed in a way to yield maximum performance. In our reinventing initiatives we strive to administer programs in a responsible business-like manner and to provide the public housing communities with appropriate technical assistance and oversight to produce the desired results.

I am aware that this hearing was called to principally review the Department's oversight of public housing resident programs. Concerns have been raised as to the effectiveness of HUD's controls and if we can properly protect against waste of federal funds. I will address these concerns but first I would like to review our Tenant Opportunity Program.

Currently there are a number of resident support programs successfully in place: Youth Apprenticeships, Family Investment Centers, Youth Development Initiative, Early Childhood Development, Public Housing Drug Elimination, and a demonstration program with the construction trades to provide job training. However, the Tenant Opportunities Program (TOP) is the only HUD program that provides funding to public and Indian housing resident organizations. This resident management program authorized in 1987 under Section 20 of the U.S. Housing Act as "Public Housing Resident Management" (RM) was written and promoted by resident leaders under the guidance of Secretary Kemp. The key program goal was to provide training and technical assistance for residents to organize their communities and operate various resident-managed programs.

While RM has been in operation since 1988, Secretary Cisneros has led the Department in shaping the program to be more responsive to residents' needs and, equally important, has provided the grant infrastructure to successfully manage this program which has doubled in size since 1993. The expansion of RM occurred after a meeting convened which brought together a broad representative group of national, regional, and state tenant leaders. The group concluded that the RM training program needed to be expanded from the narrow base of resident management to a more flexible program to permit other resident management activities -- such as tenant patrols and resident-run businesses. The flexibility would allow the resident groups to decide which

resident-managed initiatives would be best suited to their community's needs. To reflect this new and more flexible approach, the name of this resident technical assistance program was changed from Resident Management to TOP and new regulations were issued to reflect these changes.

Since 1988, the Department has provided \$72 million in grants to over 900 resident councils/resident management corporations. A recent survey conducted by HUD shows that of 383 resident entities funded between 1988 to 1993, 38 or about 18% are property management contractors and 191 or 50% have contracted with public housing authorities to further their resident management options. Another survey by Aspen Systems Corporation shows that of the 235 FY 1988-1993 resident grantees that responded to the survey, more than 1,824 jobs have been created at about a program cost of \$3,500 per job. The survey also shows that more than 1,900 residents have benefitted from job training at about \$3,200 per resident and over 21,000 residents have benefitted from supportive services programs for less than \$300 per individual. Another study completed in 1993 by COX and Associates shows positive results from resident managed programs -- including crime reduction, fewer vacancies, and improved project maintenance, as well as the creation of jobs and businesses.

There are also success stories in communities all across the country. The Yazoo City Housing Resident Council has 15 residents who graduated from a community action agency-sponsored micro-enterprise and as a result have their own businesses in child care, trucking, and other areas. In Buffalo, the Resident Council, in partnership with the Vista Program, has trained 400 residents and many are now gainfully employed. In Cleveland, lead-based paint abatement training was sponsored by the Valley-View Tenant Management Corporation (TMC) -- thirty-two residents are gainfully employed and two other courses are offered by the TMC. I will provide for the record several publications with recent success stories on the TOP Program.

Now let me address your concerns:

TOP grants and the NTO conference in Puerto Rico

The Subcommittee was concerned about HUD's approval and participation in a tenant technical assistance and training conference sponsored by the National Tenants Organization (NTO) in cooperation with PRPHA in San Juan, Puerto, Rico. As the initiator for this event, NTO is an independent, non-profit organization and does not require approval from HUD to conduct such trainings. While a number of Tenant Opportunities program (TOP)/Resident Management (RM) recipients attended, this is an allowable but limited expenditure as part of the TOP/RM grant guidelines. TOP/RM grants are designed with maximum flexibility to allow tailoring of educational and training activities to fit with communities where public and Indian housing residents live.

Although technical assistance and training conferences are an important part of educating residents to become self-sufficient, HUD does not approve of the way NTO subsequently promoted this conference nor the large number of participants who attended from one same community, particularly in light of limited Federal resources. HUD's role in the NTO training conference was to provide technical assistance and training on HUD programs. HUD has already begun an expeditious review of the guidelines governing this program and intends to implement all warranted reforms.

Wilmington's TOP Grant Applications

We understand the concerns raised regarding the 6 TOP grants awarded in Wilmington, DE and agree that the awarding these contracts to a source which was not procured in accordance with the Federal guidelines and HUD's subsequent approval of these grants was a serious error. Subsequently, HUD investigated the situation and, as a result, cancelled the grants. I would like to assure the Committee that the Department has put into place new controls to prevent this from occurring again. Starting in FY 1995, the Department limits any one trainer/consultant from obtaining more than 50% of the funding for each grant. Although this may appear to be a large percentage, please keep in mind that the majority of the TOP grant funds are specifically for training and technical assistance. In addition, user-friendly program guidance was issued explaining how to select a consultant and emphasizing the use of local consultants to assure training is available locally on an ongoing basis. This has been reemphasized at various training sessions held during FY 1995. As a refinement to the Department's current debarment procedures, we are in the process of developing a system for certifying and debarring trainers/consultants in connection with resident programs.

In addition to the aforementioned restriction on trainers/consultants, greater specificity is being required in the TOP applicant's description of proposed use of funds the proposal including emphasis on specific performance measures. Before an approved funding agreement is executed, each new grantee is required to provide a detailed plan and line item budget that can be used as a basis for financial tracking in.

RMC/PHA contracts: 1230 North Burling

The Chicago Housing Authority is actively involved in resolving this issue of an acceptable budget for this development's RMC. The Chicago Housing Authority originally calculated the performance funding system eligibility based on one rate for occupied units and a lesser rate for vacant units undergoing modernization work. The RMC requested a higher rate for all units. Last week, the RMC met with CHA's new Executive Director. The result of this meeting was that the RMC and CHA will jointly prepare rules, revisions to the existing contract

with CHA taking into account CHA's current financial condition.

The Department has been very mindful of the need to reduce the potential for fraud, waste, and abuse in a grant program. Since 1993, the Department has put in place or strengthened the TOP grants management infrastructure and systems as well as HUD support structure to help prevent misuse of federal funds and properly administer the TOP program.

Following are highlights of the major TOP grants management reforms:

*New fiscal controls were instigated.

Utilizing the LOCCS cash management system, all resident grantees are now required to show how their expenditures relate to the key elements of their work plan. To assure that there is proper set-up of the program, no more than \$5,000 can be expended until grantees have a complete fiscal system in place, as well as a partnership with the housing authority. The initial \$5,000 is provided so that the resident organizations can attend the initial training workshops and set up their resident offices. Most significant, all grantees are instructed to move steadily toward their work plan goals or risk the HUD field offices providing item-by-item control of their funds or, as a last resort, recapturing the grants. Since the program's inception in 1988, \$711,000 in grant funds has been recaptured. Please be assured that the Department's review of the TOP program will include scrutiny of the HUD field office's monitoring activities, including whether additional TOP grants should be under tighter fiscal controls or recaptured.

*Field monitoring of LOCCS.

The field office receives monthly LOCCS reports to review funding and program progress. Several items are reviewed every month, including the amount of money spent for each of the major tasks in the grantee's work plan. If the office staff finds a problem, the field office can freeze the grant funds.

*Standards and controls have been placed on the use of trainer-consultants.

User-friendly program guidance was issued explaining how to select a consultant and emphasizing the use of local consultants to assure training is available on an ongoing basis. Beginning in FY 1995, restrictions were placed on the use of any one trainer (including but not limited to consultants) from obtaining more than 50% of the funding for each grant. Let me re-emphasize that

the majority of the TOP grant funds are specifically for training and technical assistance. To assist resident grantees in selecting qualified trainers, we are developing a system for certifying and debarring trainer-consultants -- using the current Drug Elimination Technical Assistance Program as the model.

*The TOP grant term has been made more realistic.

Clients indicated that the prior requirement of 18 months to 2 years was an unrealistic timeframe for resident groups to accomplish TOP goals. Therefore, as a result of consultation with resident leaders and their housing authority partners, the grant term for all TOP grantees was extended to 3 to 5 years, at the option of the grantee.

*The application and review process was strengthened.

Beginning in FY 1995 TOP grant applicants were required to submit greater detail about the specifics of their proposed application; additional points were given if the applicant provided detailed performance measures. Since FY 1994, an independent processing panel of HUD field staff has rated and ranked grants utilizing an automated program to aggregate and rank the applicants. Detailed processing/training instructions provided uniform guidance to the reviewers.

*An automated semi-annual reporting system was launched to provide information on progress and accomplishments.

In addition to requiring performance standards as a bonus in the application process, grantees will be required to use a new format in reporting their progress and use of funds semi-annually. This new reporting format will provide detail on performance in an automated semi-annual system now being implemented for the TOP program.

*Numerous workshops for HUD field staff, resident grantees, and their housing authority to assure compliance and promote results.

During FY 1994 and 1995, there were as many as 325 training sessions conducted largely by HUD resident initiatives field staff for housing authority staff and resident leaders. We view the HUD field staff as the front line in providing proactive technical assistance and assuring that TOP and other PIH programs accomplish their stated goals and comply with all outstanding requirements. Just this month we are sponsoring two workshops in Washington, DC to help accomplish our resident goals -- one to provide economic development training for resident leaders and the other to train HUD Headquarters field operations staff on their role in facilitating progress in resident programs. We plan to continue training for field staff and clients, unless

budget cuts curtail HUD's capability to provide adequate technical assistance and oversight.

I am providing for the record specific background on the grant structure of the TOP program to further show the improvements in the Department's grants management system since 1993. As a part of our continual striving toward excellence, we will review all current guidelines and controls in the program and expeditiously implement reforms where warranted.

Priorities for Redirection

I want to take the opportunity to share with you my plans for improving the administration of Resident programs in the Office of Public and Indian Housing. The maintenance, care and viability of Public Housing depends on strengthening resident self-responsibility. The priorities I have established are an outgrowth of three critical realities: first, that all public housing programs, including resident initiatives will be funded differently into the future, --- HUD won't be dispensing grants directly to resident groups, since Congress is largely eliminating separate funding for such programs. I want to also point out that the greater sources of funding for resident programs - PHA operating subsidies, modernization under the Comprehensive Grant program, and the Drug Elimination program are also being significantly cut or altogether reduced. Unless mitigated, these outcomes represent an immense potential for wasteful disputes and competition over limited resources at the local level. To prevent and reduce such negative fallout, HUD will redirect and tie the objectives of public housing resident services to helping address current and ongoing needs of PHAs to manage, maintain and transform public housing. If PHAs are to arrest rising costs and eliminate waste, it will be in the industry's best interest to aggressively implement Section 3 for construction, management and maintenance, and to enlist the help of residents in establishing house rules and lease policies on resident maintenance responsibilities.

The second critical reality is the prospect of National Welfare Reform legislation. The Welfare Bill is under consideration would impose work requirements and time limits on welfare recipients, many of whom live in public housing. HUD will endeavor to creatively and constructively help PHAs respond to the impacts of welfare reform to help avert a new crisis for public housing and poor.

The third critical reality has to do with finally recognizing that effects of de jure and de facto segregation of minorities coupled with the isolation of the poorest of the poor in public housing must be transformed as we move into the twenty-first century. These urban zones of sacrifice weaken the heart of our nation's cities, jeopardizing the strength of our social fabric and our commitment as a democracy to extend equal

opportunity to all. HUD aims to sharpen resident involvement to achieve inter-community cooperation and mixed-income populations while embracing an ethic of self-responsibility.

So that HUD can best respond to these incoming realities, we are taking immediate measures within our Community Relations and Involvement Office to focus and integrate the administration of our resident programs to achieve these priorities. As with Department's successful shift to PHA risk management, it will be necessary for us to clarify performance indicators for resident services and resident management, set realistic but effective targets, measure results achieved by resident groups and PHAs, and act in to avert disaster and abuses. Because resources are greatly diminished, we will be reassessing the effectiveness of funds previously awarded under resident initiatives, as well as, the extent to which PHAs are providing residents with opportunities under Section 3 in modernization, management, maintenance and security. In light of our findings, the Department will act quickly to make adjustments, and to obtain the cooperation of PHAs, resident groups, and State and local agencies in solving problems and promoting solutions.

Mr. SHAYS. Mr. Marchman, we're going to have Mr. Moses go next and then Ms. Gaffney. But I just want to ask you, who paid for this vacation and seminar, and so on, in Puerto Rico?

Mr. MARCHMAN. The TOP applicant paid for—it is an allowable expense for training. Under the guidelines, there is \$5,000.

Mr. SHAYS. Mr. Marchman, no, this is going to be a little disingenuous. Who paid for the trip, the travel, and the convention, and so on?

Mr. MARCHMAN. The TOP applicant, as funded by HUD.

Mr. SHAYS. So HUD paid for it.

Mr. MARCHMAN. HUD allocated the dollars to the winning applicants.

Mr. SHAYS. No, no. Mr. Marchman, we are going to have, hopefully, a long relationship.

Hopefully not too long. Two years?

Mr. TOWNS. That's right. I'll be back. [Laughter.]

Mr. SHAYS. No. I meant it on our side.

Mr. MARCHMAN. I understand.

Mr. SHAYS. We can laugh in this committee, but we will have a very uncomfortable relationship if we can't speak plainly here. It's very disingenuous for you to say that HUD didn't pay for it.

Mr. MARCHMAN. I'm sorry. I did not say that HUD did not pay for it.

Mr. SHAYS. You said "we." We is HUD to me.

Mr. MARCHMAN. I'm sorry.

Mr. SHAYS. Let me just say.

Mr. TOWNS. Mr. Chairman.

Mr. SHAYS. Yes.

Mr. TOWNS. I think that the thing he might be having some problems with, in terms of feeling uncomfortable with, which I'm having some problems with, you referred to it as a vacation. That has not been confirmed. So if you use a different word.

Mr. SHAYS. OK. We won't talk about a vacation. I think that's a fair comment.

Mr. TOWNS. OK. Good. Thank you.

Mr. SHAYS. Even though it was promoted as a vacation, so I didn't invent that word. I looked at the promotional. But we'll get into that issue later.

I just want to establish, before we go to the next witness, how was this paid for? What money was used? Whose money?

Mr. MARCHMAN. HUD funds paid for the expenses of the TOP applicants to travel for the training.

Mr. SHAYS. So this is HUD money that was used for this trip. OK.

Mr. BARRETT. Mr. Chairman, if I may.

When you refer to the TOP applicants, I'm confused as to what you're saying there.

Mr. MARCHMAN. In each of the—some 900 applicants who—I'm sorry. Applicants apply for the program funds.

Mr. BARRETT. So these are people who live in the housing.

Mr. MARCHMAN. In public housing; yes, sir.

Mr. BARRETT. OK. So you would have people from the different housing complexes around the country, and they would apply, and then HUD would pay for their trip.

Mr. MARCHMAN. Exactly. They would apply to the particular program for a particular program or activity, for training, for economic development activities, that sort of thing. Under the guidelines, \$5,000 can be used for travel for training purposes. And, in this particular case, this was used.

Mr. SHAYS. If the gentleman would allow me to claim back the time and just say that we will discuss this further. However, I don't want to go to the next witness with the impression that somehow HUD did not pay for the trip.

Mr. MARCHMAN. I understand.

Mr. SHAYS. HUD paid for it through a program that HUD has.

Mr. MARCHMAN. That is correct.

Mr. SHAYS. OK. Mr. Moses.

You will have to put that mike a little closer to you.

Mr. MOSES. Thank you very much, Mr. Chairman, for allowing me to come before this committee to talk about the benefits of the Tenant Opportunities programs.

The Tenant Opportunities Program, as you mentioned in your opening statement, is a process whereby residents who live in public housing can begin to organize themselves and begin to try to put together the systems that they need to begin to play an active role in their housing, the housing authority, their family lives, and in their communities.

This is a community-building process. The moneys are won through a competitive bid process, based on five different sets of criteria. Those five different sets of criteria are determined based on the need of the community, a work plan. It is based on the support of the community, the support of the housing authority, support of outside groups, and the financial capabilities of the resident group to adequately administer the program.

This is a program, as you already have mentioned, that was started back in the Kemp administration. From the very inception of this program, it has been the practice of HUD to allow resident groups to attend conferences such as those given by NTO. The first conference that was sponsored by a national resident management group was actually cosponsored by HUD, under the Kemp administration. We had a direct commitment, not through a funded contract, but a direct commitment and the cosponsorship of the National Resident Management Corp.

So, basically, what we have done is continue the practices that were started by the previous administration. In order to determine which groups are eligible to be allowed to spend their moneys at certain conferences, what we look at is basically whether or not the group is offering training which would benefit and support the grant that we gave to the individual resident council or resident organization.

All five of the national resident groups, and that is the National Tenants Organization, which is the eldest, it is 27 years old; that is the National Resident Management Corporation; the National Tenant Education Fund; the National ACORN Tenant Union; and the National Tenants Union; all of them are duly elected resident membership organizations. All of them are not-for-profits. All of them are advocates for resident programs. All of them provide some training and support to resident groups.

Basically, these groups have been working with the Department from their inception and have been an eligible expense item to do training at their program. So what we, in effect, have done is continue that process, because we believe that it is important not only for resident groups to basically have training at their disposal at learn things, at the general level, but they should also begin to network with other groups so there can be an exchange of information, an exchange of ideas, and an exchange of ways to do things, on a national level.

Again, this has occurred from the inception of the program in 1988. Again, this is common practice that has been the practice of the U.S. Department of Housing and Urban Development since the inception of the program. What we basically did is move forward and do the things that exactly were mandated by those practices.

Thank you very much.

[The prepared statement of Mr. Moses follows:]

TESTIMONY FOR ED MOSES
BEFORE
CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

Chairman Shays and Ranking Member Collins, thank you for the opportunity to speak to your committee today on behalf of resident programs administered by the Department of Housing and Urban Development under the Assistant Secretary for Public and Indian Housing.

While serving as Deputy Assistant Secretary for the Office of Community Relations and Involvement (OCRI), I was responsible for the administration and oversight of resident empowerment initiatives that assist residents in achieving economic independence.

I have great convictions that resident empowerment programs help to break the cycle of poverty and have long-range tangible results that reduce spending on both the Federal and local level, because of the track record of ultimate financial independence of residents. Studies have shown remarkable results from the aid received through technical assistance and training grants that assist residents in becoming wage earners and not welfare recipients. I believe the single, most important step that any resident or resident organization can take is to participate in

educational and job training programs, and self-help initiatives that lead residents away from dependency on welfare.

We now know that in order for residents of public and assisted housing to become financially independent, many of them will need social services and opportunities extended by organizations such as Resident Corporations or Resident Managements Corporations (RCs/RMCs), to help prepare them for the world of work.

I am pleased to report that between 1988 and 1993, the Department has provided \$72 million in grants to over 900 resident councils/resident management corporations and there are success stories all across this nation. The resident management program authorized in 1987 under Section 20 of the U.S. Housing Act as "Public Housing Resident Management" was developed by resident leaders. Duly-elected resident organizations now have the flexibility to implement program activities that best meet the needs of their communities. Grantees may use funds to train residents for potential employment, provide financial assistance to resident-owned businesses, establish social and educational services for residents, develop youth programs, hire trainers to help organizations implement workplans and goals, and establish crime prevention strategies such as tenant patrols making public housing developments a safer place to live. The Department has

survey results from 387 resident organizations that were funded through the Resident Management Technical Assistance Grant Program (RMTAG), renamed in 1994, the Tenant Opportunity Program (TOP).

These resident groups had a desire to pick themselves up by the bootstraps and were empowered to move toward comprehensive change in their lives and others around them. Most of them may never have had an opportunity to acquire the job skills they needed to become gainfully employed, had it not been for the RMTAG/TOP Program.

Far more important, TOP was conceptualized to prepare residents that have never experienced the dignity of meaningful work, to become gainfully employed, to own and operate resident businesses and to move toward financial independence.

Significant successes and measurable economic results have been noted by our studies of the RMTAG/TOP grant program. For example, our studies show that one thousand eight hundred twenty-four (1,824) new jobs have been created as a result of the expenditure of RMTAG and TOP/TAG funds since 1988. This figure represents an average of approximately eight (8) jobs per grant.

The types of jobs created include general carpentry, administrative, child care providers, security, computer/systems operations, property management, business management/ entrepreneurship, community planning and outreach, and health care providers. Of the grantees surveyed 50% have contracted with public housing authorities; 18% have property management contracts and successes too numerous to mention today. Other survey results show that more than 1,900 residents have benefitted from job training at about \$3,200 per resident and over 21,000 residents benefit from supportive services programs.

I am troubled by the implicit questionable assumptions that the TOP/RMTAG program has not been successful. Contrary to some popular assumptions, our surveys, show tangible economic results for both residents and housing authorities. Even so, the reasons for skepticism should be regarded carefully.

Measuring the impact of these grants on the lives of the residents of public housing is quite easy.

For example:

- there have been partnerships for job creation between local Private Industry Councils (PICs) and resident associations;

- much success has been recorded in creation of jobs for residents on site at public housing developments;
- successful resident managed public housing developments have demonstrated a reduction in housing authority expenditures for comprehensive modernization and reduction of crime, violence and destruction to Federal property;
- technical assistance and job training has provided economic lift to many upwardly mobile families in public housing that now has at least one working family member that serves as a role model, and ultimately brings an income mix to the developments; and
- significant management improvements in demographics of public housing communities that are managed by residents serve to stabilize the tax-base of that community.

Most importantly, the Federal government's efforts to date are to be commended. The Congress, however, recently passed a bold plan to balance the budget by the year 2002. This balancing cuts deep into the heart of Americans. Nevertheless, I know that some change is needed.

It is very clear that there is a very serious problem faced by residents of public and Indian housing across the land. Economic self-sufficiency still remains a "goal" rather than a "reality". The inner-city poor are isolated in areas where not working is the norm, crime is commonplace, and welfare is a way of life.

The Federal government's new role and involvement in combating poverty is largely peripheral because of a perception by some that PHAs should have an expanded role and lessen government intervention.

Technical assistance is provided and supports state and local efforts to conduct comprehensive activities to reduce generations of poverty and welfare dependency. Nevertheless, there is still a growing perception that many government programs have not worked.

Many communities around the country are operating anti-poverty and economic self-sufficiency programs, but soon will feel the real impact of lack of resources and reduced funding levels from previous funding levels. If government is shrunk, and programs such as TOP is not funded, then state and local officials attempting to take up the slack will find it difficult to accomplish priority resident activities.

The major emphasis within HUD has been on the development of community-based consortia to conduct innovative, comprehensive approaches to current and emerging problems of intergenerational poverty among low-income public housing residents.

Each consortia is a broad based partnership as is advocated in the TOP program, that draws upon the resources, expertise, energies, and commitments of the housing authorities and many different groups within the community. The presence of large supportive institutions such as schools, churches and local civic/nonprofit organizations together with the housing authorities have emerged and become positive forces in these communities.

A holistic approach includes the kinds of priorities that have been funded through the TOP Program for supportive services to families, job training programs and the development of intervention strategies to combat intergenerational poverty, promotion of cooperative ventures and entrepreneurial training and assistance and resources to build the lives and families in low- income public housing.

Other Federal Agencies administer programs and conduct or support research that is used for relieving problems associated with poverty. All these efforts are aimed at understanding and

reducing intergenerational poverty and can contribute to ameliorating the problems housing authorities face throughout this country. But few of these agencies have had the ability to mobilize residents to reprioritize their lives and seek social and economic change from welfare dependency as those resident leaders funded through RMTAG/TOP have mobilized and effected a change in the lives of residents in their communities.

The Department has put in place infrastructure and systems to both monitor and measure performance of grantees in the TOP Program to help prevent misuse of Federal funds. Two newly created divisions within the Office of Community Relations and Involvement, the Program Design Division that is responsible for grants management, program policies and procedures and program assessment, and the Field Coordination Division that provides field liaison on grant monitoring, training and bi-annual review of field office grant closeouts and reports serve to assist in proper administration of the grants.

New fiscal controls have been instituted. Utilizing the LOCCS cash management system, all resident grantees are now required to show how their expenditures relate to the key elements of their work plan. To assure that there is proper set-up of the program, no more than \$5,000 can be expended until grantees have a complete fiscal system in place, as well as a

partnership with the housing authority. The initial \$5,000 is provided so that the resident organizations can attend the initial training workshops and set up their resident offices. Most significant, all grantees are instructed to move steadily toward their work plan goals or risk the HUD field offices providing item-by-item control of their funds, or as a last resort, recapturing the grants. Since the program's inception in 1988, \$711,000 in grant funds have been recaptured. Please be assured that the Department's review of the TOP program will include scrutiny of the HUD field office's monitoring activities, including whether additional TOP grants should be under tighter fiscal controls or recaptured.

Standards and controls have been placed on the use of trainer-consultants. User-friendly program guidance was issued explaining how to select a consultant and emphasizing the use of local consultants to assure training is available on an on-going basis. Beginning in FY 1995, restrictions were placed on the use of any one trainer (including but not limited to consultants) from obtaining more than 50% of the funding for each grant. Let re-emphasize that the majority of the TOP grant funds are specifically for training and technical assistance. To assist resident grantees in selecting qualified trainers, we are developing a system for certifying and debarring trainer-consultants -- using the current Drug Elimination Technical

assistance Program as the model.

The TOP grant term has been made more realistic. Clients indicated that the prior requirement of 18 months to 2 years was an unrealistic timeframe for resident groups to accomplish TOP goals. Therefore, as a result of consultation with resident leaders and their housing authority partners, the grant term for all TOP grantees was extended to 3 to 5 years.

During Fiscal Year 1994, the Department recognized a need for change. It established an Interim Resident Advisory Board consisting of representatives of regional and state resident public housing organizations who developed a Policy Paper on resident involvement in public housing and consulted with Public Housing Advocacy Groups (Public Housing Authorities Directors Association (PHADA), Council of Large Public Housing Authorities (CLPHA) and National Association of Housing and Redevelopment Officials (NAHRO) that were extended the opportunity to review and comment on the Policy Paper. This Policy Paper was later incorporated in the Final Rule on Tenant Participation and Tenant Opportunities Program to institute tighter controls and more accountability in the TOP Program.

The Final Rule specified a clear-cut policy of accountability through the elected resident leaders to assure

adequate representation of the residents, to increase resident participation, and promote strong working partnerships between housing authorities and resident groups.

The Department has also instituted performance measures to assure that all housing authorities and field staff and resident groups are properly trained in the administration of Federal grants. These performance measures assure that TOP grantees have executed technical grants (TAGs), executed all work plans, assure that TOP grantees are being monitored pursuant to HUD regulations, and provisions are made for cost efficient training and technical assistance for the grantees.

As members of this committee can conclude from my testimony HUD resident empowerment programs work and work well. It is something that should be strongly supported and continued.

Thank you.

Mr. SHAYS. Thank you very much.

Mr. MARTINI. Mr. Chairman, if I may, just for a moment.

Mr. SHAYS. Sure.

Mr. MARTINI. I have another hearing right upstairs. I will be back in 10 minutes, if I may.

Mr. SHAYS. OK. Thank you.

Thank you, Mr. Moses.

Ms. Gaffney.

Excuse me. I just want to make sure. Mr. Janis, you are here to provide backup information; you don't have a statement?

Mr. JANIS. Right.

Ms. GAFFNEY. Mr. Chairman, members of the subcommittee, as you know, I don't know what happened in Puerto Rico. As you know, we are looking into that matter for the subcommittee.

I would like to say, though, that I certainly agree with Mr. Martini. On its face, this does not do any of us any good, this kind of hype, this kind of promotion. But I would say to you, Mr. Chairman, this is not the first time I have seen this type of promotion for conferences involving Federal funding. And if you can get across a message that we are not well-served by this, I think that would be important.

With respect to the general issue of resident management, we, as Kevin said, issued a report last February that looked at six resident management councils. We found that, of those six councils, only one performed significant project management work. Shortly after we did the review, that council disbanded, which meant that, of the six, no one was doing it.

Mr. SHAYS. What were the six? Do you have a list of the six?

Ms. GAFFNEY. Yes. Yes. They are here. Do you want me to go through them?

Mr. SHAYS. Yes. I would just be curious to know what the six were.

Ms. GAFFNEY. Sure. Mission Hill in Roxbury, MA; Ida Barbour in Portsmouth, VA; Roberts Village, Norfolk; Rocky Mount, Rocky Mount, NC; Laurel Homes, Cincinnati, OH; Grandview, Everett, WA.

Mr. SHAYS. And which was the one that was working?

Ms. GAFFNEY. I think it was—let me just check.

Mr. SHAYS. Sure.

Ms. GAFFNEY. It was Grandview.

Mr. SHAYS. Grandview. OK. And you say that one was discontinued?

Ms. GAFFNEY. Disbanded.

Mr. SHAYS. OK. Why don't you continue.

Ms. GAFFNEY. Generally, when we looked overall at what had happened, at the big picture, apart from these six specific councils, we found that, through 1993, \$22 million had been expended in resident management technical assistance grants, and that funding had resulted in only 15 of the councils performing full management duties. Only 22 other councils were performing partial management duties. And of those 37, the 22 and the 15, 11 of them had been in existence and operating prior to 1988, when the funding for this program started.

We, in looking at these six resident councils, found—although they had successes in some areas; they just were not in terms of project management, which is what they were intended to do. We attributed their problems to the following conditions: overambitious grant goals, inadequate training and professional guidance, and limited use of housing authority expertise. This is, keep in mind, a program that operates directly from HUD to the resident councils; it is not going through the housing authorities.

Also, turnover in council leadership. Specific individuals seem to be critically important to the councils, and when they left things tended to fall apart. In some cases, we had a lack of resident interest. We had councils that were more interested in social issues than the housing authority management issues, which was what these councils were set up, or the grants were specifically set up to do. We had inadequate grant plans. And perhaps most significant, we had a lack of performance benchmarks and monitoring by HUD.

There are two excellent documents that I would commend to your reading. They were commissioned by HUD; they were done by an outfit called ICF. The first one is a 1992 document called, Evaluation of Resident Management in Public Housing.

Mr. Towns, what you will find here is the story of 11 councils that have done an outstanding job.

Then, in 1993, ICF did a review of 80 emerging councils, resident management councils, and they came to some conclusions that I think track very precisely what we found when we looked at the six resident councils. Let me just run through their summary findings for you.

First, they said the councils generally didn't understand what HUD was expecting from them. They didn't understand what the requirements of the program were, and they were well-intentioned, but they couldn't quite get it.

Second, ICF found that there was little correlation between the amount of grant expenditures and the progress that these councils were making. Now, that's quite extraordinary on its face, but what they found was that the organizational impetus had to be there, apart from the availability of HUD funding; that HUD funding alone wasn't doing it.

The third finding, the same as ours, was that there was a lack of HUD performance targets.

The fourth finding is very significant. It is that these councils can work, but they really require an excellent relationship with the public housing authority. If they are at odds, it is very difficult for any progress to be made.

Training has been a problem; and consultants have been a problem. There has been a lack of consistency in consulting and training to these councils. And then, perhaps the most significant issue is, setting up these councils and getting them to perform significant management functions just takes a lot of time and a lot of investment and a lot of oversight, and no one should expect quick results. And, obviously, we're not getting quick results.

When we did our review, we urged HUD not to expand the program into areas other than resident management. We also questioned whether the statutory base for that expansion was suffi-

cient. Obviously, HUD didn't listen to us, and they expanded the program into TOP. But they have also followed some of the recommendations we made as they proceeded with TOP.

In H.R. 2406, which is the proposed new public housing bill, we are going to a system of block grants. So there would be no separate TOP program; there would be no separate resident management program; and there would be no requirement for such programs. It is simply, housing authorities may choose to undertake resident management.

We support that approach a lot, because we believe that the people who can do this, who can work with the residents and who must work with the residents, are the people on the ground, not the HUD people in Washington; that is, the housing authority people.

The other thing I would like you to understand about the TOP program is, HUD is dwindling very fast. This is a small program; it is categorical grant. HUD doesn't really have the expertise. The people who have the expertise are out there.

The question that we are going to have to address is the question I think Mr. Green raised: Block granting is very easy, but where is the accountability, and how are we going to set up performance measures for these block grants that assure that resident management really works and housing authorities really work?

Thank you, Mr. Chairman.

[The prepared statement of Ms. Gaffney follows:]

**STATEMENT OF
SUSAN GAFFNEY, INSPECTOR GENERAL
BEFORE THE
SUBCOMMITTEE ON HUMAN RESOURCES AND INTERGOVERNMENTAL RELATIONS
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT
UNITED STATES HOUSE OF REPRESENTATIVES
"PUBLIC HOUSING RESIDENT INITIATIVES"**

NOVEMBER 9, 1995

Chairman Shays, and members of the Subcommittee, I am pleased to be here today to discuss HUD funded public housing resident initiatives. I will provide a brief summary of the history of HUD's resident initiatives, the results of the Office of Inspector General's (OIG) limited audit and investigative work in this area, and my perspectives on resident initiatives in the context of the on-going reinvention of HUD.

OIG Perspectives on HUD Resident Initiatives

Background Data

Mr. Chairman, the funding levels for resident initiative programs are relatively small in comparison with other HUD programs, consequently OIG has not devoted a good deal of its resources to these programs. Nonetheless, OIG audits and investigations through the years have generally found that HUD funded resident initiatives suffer from inadequate mission objectives, management controls, program coordination, performance measures, program oversight, and substantive results. Much of the funding has been inefficiently and ineffectively utilized. The programs are good candidates for elimination and/or consolidation.

Appendix 1 of this statement provides a synopsis of the history of public housing resident management and other resident initiatives. HUD's most recent emphasis on resident initiatives began in 1988, with the Resident Management Technical Assistance Grant (RMTAG) Program. Early program objectives were to organize new, or prepare existing resident organizations for project management functions and possible public housing homeownership. The program evolved in the last few years to include resident job training, business development and other activities related to PHA project management.

Appendix 2 shows the funding for these related programs for the 8 year period 1988 to 1995. HUD provided over \$71 million in funding to 905 resident organizations and various national, regional or state resident organization associations. In addition to this direct categorical type HUD funding for resident initiatives, PHAs can also use their HUD operating

subsidy for resident initiatives, with total actual annual PHA operating expenditures for resident services running about \$60 million, or roughly \$4 per unit. HUD's modernization program funds can also be used for resident initiatives, as can PHAs' Section 8 administrative fees, and various categorical grant and subsidy programs, such as Drug Elimination Grants, Youth Sports Grants, etc.

OIG Audit Results

Our most recent program evaluation work is contained in an audit report dated February 28, 1995 entitled, "Audit of Technical Assistance Grants to Support Public Housing Resident Management and Self-Employment Programs." The review's primary objective was to determine whether the grantees achieved the program's intended benefits of residents assuming project management or other noteworthy progress towards that goal. We reviewed six Councils that received resident management grants and five Councils that implemented self-employment programs. Appendix 3 lists the agencies reviewed during this evaluation.

Of the 6 resident management Councils, only 1 performed significant project management work. They managed a 28 unit project but they stopped managing the project after our review was completed because the key Council members had left. The Council was planning to disband. The others made little or no progress towards management, although they reported accomplishments outside the stated program objective. Two groups had no accomplishments. The five grantees that implemented self employment programs fared better and substantially accomplished their objectives by providing business training to over 210 individuals; about 50 of which started new businesses.

The limited progress of the test resident management Councils was consistent with the overall performance of the entire program. That conclusion is supported by previous OIG reviews, the Department's monitoring records, and more recent program evaluation surveys conducted for the Department. Through 1993, \$22 million in RMTAG funding to 328 Resident Management Councils (RMCs) resulted in only 15 RMCs performing full project management and only 22 others performing limited management or other special activities. Eleven of these 37 RMCs were active in the management of their developments before 1988, when this program was first funded. In terms of achieving the primary objective of fostering greater resident participation in project management, results of the RMTAG Program have been limited. Furthermore, HUD has not evaluated whether its more recent limited successes have addressed the ultimate objective of improving the overall public housing living environment through greater resident participation.

As a further indicator of a lack of progress towards goals, Councils have generally not timely used their grant funds. We surveyed 24 Councils which received 1991 grants and found that they had drawn down only 41 percent of their grant funds after 3 years. The rate of drawdowns for all Councils which received 1992 grants was only 36 percent after 2 years.

In the case of our 6 test Councils, we attributed the limited progress and accomplishments to:

Overambitious grant goals - The Councils had little or no project management skills at the start of their grant, and it was unreasonable to expect Councils to move to actual project management activities in the scope of the grant.

Inadequate training and professional guidance - The six tested Councils spent \$246,768, or 57% of their expenditures, for training and assistance consultants, but advised OIG that much of it was ineffective or insufficient. The Councils did not have the expertise to determine and fulfill their training needs, and HUD did not effectively serve to provide or coordinate standard training needs in a more efficient manner.

Limited use of housing authority expertise - The Councils did not take advantage of housing authority expertise in designing financial controls and procuring services, and HUD did not structure the program to encourage a stronger PHA/RMC partnership for strengthening relations and reduce reliance on consultants under the grant.

Turnover in Council leadership - A Council's progress appeared to depend greatly on the leadership of a few key Council members. When they left, progress stalled or stopped while the Council trained new members. This occurred in four of the six Councils we reviewed.

Lack of resident interest - There was a lack of resident interest in many cases, as evidenced by poor resident participation in Council sponsored training and activities. We found poor resident interest at four of the six Councils tested.

Competing Council interests - Many of the Councils and their members were more interested in pursuing individual self-improvement and social service activities, than project management activities.

Incomplete grant work plans - In some cases, HUD did not require the Councils' work plans to include an element to train for and proceed to project management.

Lack of performance benchmarks and insufficient monitoring - HUD had not established interim performance goals to measure each Council's progress or develop an effective means to track accomplishments and impediments program-wide. HUD generally let the Councils work at their own pace, and tracked only the Councils' rate of expenditures. HUD monitored the Councils using Community Relations and Involvement Specialists, located in Field Offices, who reviewed reports and made periodic site visits. While this work may have been beneficial, the Councils needed far more assistance than HUD could provide.

We concluded that the few Council successes did not warrant continuing the program and recommended that HUD consider terminating it. Our position was supported by similar prior audit findings in our October 24, 1989 report on a "Review of the Public Housing Management and Homeownership Programs." On December 18, 1994, Secretary Cisneros issued his Reinvention Blueprint that essentially called for the consolidation of programs into block grant type funding mechanisms. Essentially, the proposed consolidation would negate any changes to this categorical program. Thus, the report made it clear that our recommendations were appropriate only if HUD continued to directly fund resident groups; we made the following suggestions:

- require the housing authority to participate as a partner in the grant;
- require the Councils to use the expertise of the housing authority for training and assistance in bookkeeping, financial management, maintenance, procurement, and occupancy procedures;
- establish realistic interim goals for Council performance and base funding draws on achievement of those goals; and
- review and evaluate Council performance and accomplishments individually and program-wide.

During the course of our audit, the Tenant Opportunity Program (TOP) was emerging with final regulations issued on August 15, 1994. This rule expanded eligible RMTAG Program activities to include resident managed businesses and social services support, extend the grant period, remove requirements to seek help from housing management specialists, and increase the grant limit to \$250,000. HUD was also proposing legislative changes at the time to significantly increase the level of funding and move the program more in the direction of self sufficiency type activities rather than resident management. The authorizing legislation did not pass but Appropriations were increased to \$25 million for FY 1995.

We evaluated the proposed program changes as part of our audit work, in view of the RMTAG program's performance history to date. The new TOP proposed improvements to the grant process, especially with respect to improving HUD's oversight, giving more and better technical assistance, and encouraging partnership with the public housing authorities. It did not address the slow rate of expenditures, continuity of council operations, resident apathy or inability to participate, lack of HUD performance benchmarks and realistic work plans, and need for improved monitoring. Once again the proposed consolidation plans would make these issues moot.

On December 30, 1994, the Assistant Secretary for Public and Indian Housing responded to our draft audit report. He generally agreed with the recommendations we made for improving the Program and spelled out the steps taken already to begin the improvements. However, the Assistant Secretary also explained that he thought the report lacked needed balance in that it did not adequately recognize that resident management of their developments was not the only objective or possible accomplishment of the program.

Current OIG Survey Work

In September 1995, upon information received from this Subcommittee, our staff commenced some limited audit survey work of specific allegations of waste and abuse associated with the TOP program. The survey is assessing the role of national, state and regional resident council associations in HUD's resident initiatives program delivery, and HUD's continued placement of heavy reliance on consultants under TOP grants. That survey is on-going and results to date are not conclusive enough to comment on at today's hearing. We hope to complete the work within the next two months.

OIG Investigation Results

Our Office of Investigation has received relatively few allegations of improprieties in resident initiative activities. In a few isolated cases, problems occurred because the resident Councils did not have sound financial systems and certain individuals were allowed too much control over the cash accounts.

Summary

Mr Chairman, we believe that HUD's track record in directly administering resident initiative type programs has not been good. Our Office has been an active participant in HUD's reinvention efforts over the past three years, highlighted by a report to the Secretary on December 30, 1994 entitled "Opportunities for Terminating, Consolidating and Restructuring HUD Programs." We analyzed 240 active, inactive and custodial

programs on the books of HUD and suggested that most of those programs were candidates for elimination or consolidation for the following reasons:

- the programs are small dollar categorical grant programs with high administrative burdens, are poorly targeted, and reach only a small portion of the eligible universe of potential participants;
- the programs are social service programs that overlap the core mission of other agencies and are generally beyond HUD's capacity to administer;
- the programs are heavily regulated, difficult to administer, and lack flexibility to tailor local decisions on the best use of limited program resources; and
- the programs are duplicative of many programs with similar objectives that promote separate Federal and local bureaucracies and detract from overall program performance and results.

All the resident initiative programs that HUD is attempting to administer fall within each of the above categories and are prime candidates for elimination or consolidation. That is not to say that the pursuit of greater resident responsibility and participation is not desirable as a means of improving public housing communities. On the contrary, I can think of little else that is more important than providing opportunities for low income individuals to improve themselves. However, the current HUD programs and current HUD practices have fallen short under any reasonable measure of accomplishment.

We are encouraged that pending Congressional legislative proposals -- such as the United States Housing Act of 1995 (H.R. 2406) -- will block grant HUD funding for public housing to allow greater local flexibility in addressing local needs, including resident initiatives. Such proposed changes will put the onus on PHAs and local leaders to work in partnership with residents to improve their public housing communities. HUD's role should be limited to supporting and assisting such efforts, and to measure the extent of progress made.

Mr Chairman, that concludes my written statement and I would be pleased to answer any questions.

PUBLIC HOUSING RESIDENT MANAGEMENT/INITIATIVES

Historical PerspectiveInitial RMCs (1971-1976)

The resident management movement in public housing began in the early 1970's in Boston and St. Louis. The nation's first public housing resident management corporation (RMC) was formally organized in 1971 at the Boston Housing Authority's *Bromley-Heath* development, primarily in response to poor management and maintenance by the Authority. (However, it should be noted that *Bromley-Heath's* resident council had allegedly formulated its basic resident management concept as early as 1964.)

Also, at about the time the Bromley-Heath RMC was being established, residents of the St. Louis Housing Authority were engaged in a protracted rent strike brought about by poor maintenance and rising rents. In conjunction with the settlement of this strike, RMCs were established at five St. Louis Housing Authority sites during the years 1973 through 1976. Reportedly, by 1976, nearly one-half of the public housing units in St. Louis were being managed by residents. However, only two of the St. Louis Housing Authority's original five RMCs, *Carr Square* and *Cochran Gardens*, are in operation today.

The responsibilities assumed by the Boston and St. Louis RMCs differed in that the Boston Housing Authority delegated essentially all its management functions to the RMC, while the St. Louis Housing Authority delegated only certain management functions to its RMCs, primarily routine maintenance supervision, renting of units, and the provision of social services.

National Tenant Management Demonstration (1975-1979)

Spurred by the pioneering efforts of the Boston and St. Louis RMCs and the potential of resident management, the Ford Foundation and HUD collaborated on the *National Tenant Management Demonstration* in 1975. The objective of this demonstration was to promote the establishment of additional RMCs and to evaluate their potential effectiveness in managing public housing. The Ford Foundation provided funding to manage the demonstration, which was contracted to the Manpower Demonstration Research Corporation (MDRC). Among other responsibilities, MDRC selected the test sites, developed RMC training programs, provided technical assistance to the RMCs, monitored their progress, and evaluated the overall demonstration effort. This demonstration was instrumental in establishing seven new RMCs at six different housing authorities: Jersey City, Louisville, New Haven, New Orleans, Oklahoma City, and Rochester. However, of the RMCs

established through this demonstration, only the A. Harry Moore RMC in Jersey City is still operational today. In many respects, the National Tenant Management Demonstration marked the beginning of HUD's involvement in public housing resident management.

National Center for Neighborhood Enterprise (1985-1988)

The Amoco Foundation, in 1985, provided a \$1.9 million grant to the **National Center for Neighborhood Enterprise (NCNE)** in support of a three-year demonstration of the potential effectiveness of resident management. The demonstration, which entailed providing training, technical assistance and seed funding, encompassed residents at 12 public housing developments covering 7 housing authorities: Boston, St. Louis, Washington, D.C., Jersey City, Chicago, Cleveland, and New Orleans. Six of the 12 developments already had established RMCs, while another six new sites were provided grants to establish RMCs. Of the 12 NCNE sites, 9 are currently operational.

Legal Basis for RMCs (1987)

A legal foundation for resident management by RMCs emerged in 1987 with the passage of the *Housing and Community Development Act of 1987*. Sections 122 and 123 of this Act added Sections 20 and 21, respectively, to the United States Housing Act of 1937.

Section 20 established a legal basis for public housing resident management by authorizing the formation of RMCs and their operation pursuant to management contracts with PHAs. Section 20 also authorized RMCs to receive modernization funding and required them to undergo an annual audit. Moreover, Section 20 authorized the Secretary to provide financial assistance to RMCs or resident councils for the formation of such entities and the development of their capacity.

Section 20 further required the Secretary to conduct an evaluation of public housing resident management, particularly with respect to its effect on living conditions in public housing, and to report its results to Congress. This evaluation was performed by ICF Inc. under contract with HUD, and the underlying report was issued by HUD in December 1992. On the other hand, Section 21 authorized RMCs with at least 3 years of experience in successfully managing public housing to purchase one or more multifamily buildings from their housing authorities. Under Section 21, the RMC may offer the units involved for sale to lower income project residents and other eligible low-income households. This public housing homeownership program was subsequently replaced by the *Homeownership and Opportunity for People Everywhere (HOPE 1)* program, authorized by the *National Affordable Housing Act of 1990*.

Funding of Resident Management Activities

HUD funding of resident management and other initiatives has been through the **Comprehensive Improvement Assistance Program (CIAP)**, the **Comprehensive Grant Program (CGP)**, and the **Resident Management Technical Assistance Grant (TAG) program**. The RMTAG program was renamed the **Tenant Opportunity Program (TOP)** in fiscal 1994. Whereas the prior RMTAG program was limited primarily to resident management and technical assistance funding, the TOP program expanded resident management funding to such activities as: training residents for potential employment; assisting resident-owned businesses; establishing social and educational services for residents; developing youth-related programs; hiring trainers to assist in implementing TOP workplans; and establishing crime prevention strategies such as tenant patrols.

HUD RMTAG/TOP Funding Activity

Fiscal Year	RMTAG/TOP Awards	
	Number of RCs a/	Amount b/
1988	27	\$2.5
1989	35	2.5
1990	37	2.4
1991	95	4.9
1992	94	4.8
1993	94	4.8
1994	258	24.2
1995	265	25.0
TOTAL	905	\$71.1

a/ The total number of Resident Councils (RCs) funded would be less than 905, since some RCs received funding in more than one year, and 20 awards in 1994 and 1995 went to National, Regional and State Resident Organizations.

b/ In millions; rounded to nearest \$100,000

SOURCE: Unaudited program records.

List of Resident Councils Tested

<u>Tenant Council</u>	<u>Location</u>	<u>Funding</u>
<u>Resident Management</u>		
Mission Hill	Roxbury, MA	\$100,000
Ida Barbour	Portsmouth, VA	\$100,000
Roberts Village	Norfolk, VA	\$100,000
Rocky Mount	Rocky Mount, NC	\$100,000
Laurel Homes	Cincinnati, OH	\$100,000
Grandview	Everett, WA	\$100,000
<u>Self-Employment</u>		
Schnectady HA	Schnectady, NY	\$100,000
Urban League	Pittsburgh, PA	\$200,000
Corp. For Enterprise Dev.	Raleigh, NC	\$194,191
North Star Comm. Dev. Corporation	Duluth, MN	\$143,174
Southern Dallas Dev. Corporation	Dallas, TX	\$200,000

Mr. SHAYS. Thank you.

We're spending \$24 million on this program each year. I'm not clear as to whether HUD is clear about this program. First off, who has oversight over this program?

Mr. Marchman.

Mr. MARCHMAN. The department has oversight for this.

Mr. SHAYS. OK. The department. Who in the department?

Mr. MARCHMAN. Specifically, my office, the Office of Public and Indian Housing.

Mr. SHAYS. OK. Within your department, who has responsibility?

Mr. MARCHMAN. Within that is the Office of Resident Initiatives.

Mr. SHAYS. OK. And who is that individual?

Mr. MARCHMAN. Currently, Mr. Moses has left, and we are in the process of naming a new head for the office.

Mr. SHAYS. So, Mr. Moses, you have been in charge of this program?

Mr. MOSES. Yes, sir.

Mr. SHAYS. OK. I'm going to say again that I think that one of the most important things we can do is empower tenants who live in these properties to think of them as their homes and to learn how to manage them and care for them. Given that we have less resources, it's even more important, because, candidly, there's no reason why the people who live there can't make sure that it's clean and kept nice, and that the children are being dealt with and cared for. That's where I come down.

I think it's highly unfair to provide resources to individuals who may not know how to use the resources. But, ultimately, someone has to be accountable. So, Mr. Moses, you're accountable.

Mr. MOSES. Yes, sir.

Mr. SHAYS. No longer.

Mr. MOSES. No longer, but was accountable.

Mr. SHAYS. So for how long were you accountable for this program?

Mr. MOSES. Approximately 2 years.

Mr. SHAYS. OK. When you started out, it was a \$4-million program, and then it grew to a \$24-million program.

Mr. MOSES. When I started out, it was a \$25-million program.

Mr. SHAYS. OK. Now, describe to me again the purpose of this program.

Mr. MOSES. The purpose of this program—section 20 of the 1987 Housing Act basically says that this program is basically to look at the feasibility of undertaking resident management and to provide technical support to resident organizations and to assist in supportive services to the residents of public housing.

Mr. SHAYS. OK. Who controls that? Does HUD control that, or do the tenants control it?

Mr. MOSES. HUD controls it.

Mr. SHAYS. So HUD is in charge of providing assistance to tenants.

Mr. MOSES. HUD is in charge of making moneys available to residents.

Mr. SHAYS. No, no, no, no, no, no, no, no. That's not what it's in charge of doing. You just described to me, it's supposed to do what? You described to me in the beginning.

Mr. MOSES. What HUD does.

Mr. SHAYS. No, I don't want to know what HUD does; I want to know what HUD is supposed to do.

Mr. MOSES. What HUD is supposed to do is to administer grant agreements between the duly elected resident councils and HUD, to carry out the functions that are outlined in section 20 of the U.S. Housing Act and the rule on 24 CFR 964.

Mr. SHAYS. When you described to me tenant assistance, and so on, you didn't describe to me tenant residents, you didn't describe to me grants. What does the law require? I first want to understand your understanding of what the law requires.

Mr. MOSES. My understanding of what the law required was that HUD would supply its resources to assist resident organizations to begin to look at the possibility, the feasibility of taking on resident management, to develop programs which will help resident groups become organized, increase their organizational capacity, and to assist resident groups in providing supportive services that they need in order to improve the overall public housing community.

Mr. SHAYS. Is that your understanding of what HUD is supposed to do, Ms. Gaffney?

Ms. GAFFNEY. My understanding is that HUD is to fund resident councils for the purpose of ensuring that they move toward assuming management functions in public housing, and HUD has a responsibility to more precisely define targets and oversee the expenditure of funds in that direction.

Mr. SHAYS. If that's what we're supposed to do, I don't support the program. If that's the proper description of what we're supposed to do.

What is your understanding of what we're supposed to do, Mr. Marchman?

Mr. MARCHMAN. At the risk of repeating the first two answers to the question, it is to provide and administer funds for technical assistance programs for resident management economic activities, community-building activities, for the residents of public housing. We had seen, not only in this administration but the previous administration, that residents have to be an integral part of the public housing community; that they weren't going to get there without this type of technical assistance.

So it is HUD's determination that we must provide funds to provide technical assistance, to assist the public housing residents to participate in the decisions that affect their lives in public housing developments.

Mr. MOSES. Mr. Chairman, if I may.

Mr. SHAYS. Yes, Mr. Moses.

Mr. MOSES. It was not HUD's decision; it was the Congress' decision.

Mr. SHAYS. No, I understand that. But the sense I'm getting is, HUD views its responsibility as taking money and giving it to tenant organizations. And if that's what it views its responsibility is, then I understand why we have the kind of disconnect that I think we have in a trip to Puerto Rico.

And that's why I think we have a disconnect, when Mr. Biden finds it outrageous that 60 percent of six \$100,000 grants goes to one consultant although obviously HUD felt that was wrong after

the fact. It says to me that there is not a sense of how this program should be implemented in an effective way.

For the IG to say that she looked at six resident councils and only one of them was successful, and that one went down the tubes for some reason, says to me that HUD has a philosophy of just giving money without direction and guidance.

Ms. GAFFNEY. May I?

Mr. SHAYS. Sure.

Ms. GAFFNEY. This isn't a very technical way to put it, but the way I see this program is, it is pretty much bread on the water.

Mr. SHAYS. OK. Well, if that's your interpretation, I definitely have a problem with it.

Mr. Towns.

Mr. JANIS. Mr. Chairman, if I might.

Mr. SHAYS. Sure. Mr. Janis, you are welcome to jump in anytime. I have the highest respect for your knowledge on so many issues.

Mr. JANIS. Thank you. If I can embellish a little bit. It certainly is HUD's primary responsibility to put the money out to the resident groups, but to say that is HUD's only responsibility, I believe that's not accurate. HUD has a responsibility, when it puts the money out to the resident groups, to monitor and assure that that money is being spent in accordance with the legislation, the regulations, and also, very importantly, with the grant agreement.

The grant agreement, under this program, under the TOP program, is an exceptionally detailed grant agreement that includes a number of requirements for procurement, for monitoring, for drawdown of funds, for financial integrity of the resident organization, for completion of work programs. The resident organization has to go through a multiphase preparation of a work program.

Phases one and two are basically organizational phases, getting proper assistance and guidance, assuring themselves that they have a CPA who is establishing books of record and accounts. There is a requirement that the resident organization cannot draw down any more than \$5,000 of this grant until they complete phase one and phase two of the grant.

There is a requirement in the application that is followed up that they have to have a work program with specific objectives in each one of these phases that is measured and monitored by the Department. They are required to submit a report twice a year to the Department on achievement of those objectives. And they are required, when they close the program, to have an audit close-out.

The Department is required, through its field staff, to assure that when moneys are drawn from this account that they are drawn in accordance with the established budget. There are controls within that accounting system that prohibit a resident organization from drawing, for example, more than 10 percent of any one line item or exceeding its budgeted amount.

So there are definitely some very specific requirements under the grant agreement. The Department, I think, takes seriously the necessity to provide—Mr. Chairman, I think, one of the points you are getting at—I wouldn't call it hand-holding, but I would call it the necessity of providing technical assistance and support to the resident groups. The department takes it very seriously to provide the kind of training, support, and guidance materials to help them.

Mr. SHAYS. I think they should. I'm not sure they have in this program. I've doubled my time here, and I'm going to make sure the ranking member gets equal time on this. But where I'm having trouble with, giving advances or funds to TOP recipients. It flies in the face of this kind of strict review.

I'm wrestling with this whole concept that Mr. Green has about block grants, because I like it. I'm willing to have people make mistakes. I'd rather give people more flexibility and have them screw up than have it be so stringent that nobody grows. And I try to make it a point in this committee not to, as soon as we find a mistake, to just go after someone and say, we've got you. I don't follow that approach, I think you know. But I am troubled if I think we don't have a handle on it after the fact. So I've got big questions about this program.

Let me give Mr. Towns 10 minutes.

Mr. TOWNS. Thank you very much, Mr. Chairman.

Let me begin by just sort of getting clarification on something that you said, Ms. Gaffney. You indicated that we are not well-served by the type of advertisement, in terms of the flyer. What did you mean by that?

Ms. GAFFNEY. I think, when the taxpayers think that we are spending their money to send Federal employees or residents for expense-paid vacations in resorts, that they get angry. The taxpayers need to believe that we are serving them, not using their money frivolously.

And I think often the promotions are not correct, that things are advertised as social events when, in fact, they are professional. They advertise them as social events to get attendance, but it's the wrong message, in my view, to send to the taxpayer.

Mr. TOWNS. Right. But this has not been confirmed yet, I mean.

Ms. GAFFNEY. Oh, no. We are looking at this. I have no knowledge, at this point, of what happened in Puerto Rico. That's correct.

Mr. TOWNS. Well, let me just say this. Being involved in a lifestyle that puts out a lot of material on people, and of course people put out a lot of material on you, you know, that lifestyle that we are in here, and I've seen some stuff out there that I didn't even know anything about. Sometimes you have eager people to put things out. I mean, I don't know the details here. I really don't.

Ms. GAFFNEY. Nor do I, sir.

Mr. TOWNS. I would hope that eventually we will be able to find out, but I just would not want to leave the impression that this has already been investigated and the finding was—I mean, I just don't want—unless that's the case.

Ms. GAFFNEY. That is not the case.

Mr. TOWNS. Right. And that's what I understand. OK. I just wanted to clarify.

And I agree with you that, when you are promoting things, sometimes people do go to the extreme to say this or say that. But I looked at the flyer there, and they said, serious business from 9 a.m. to 5 p.m. You can't ignore that. I mean, if you want to go snorkeling after 5 p.m., you know, then fine, but the point is, from 9 a.m. to 5 p.m., make certain that we're talking about empowering folks and things like that. So I think that we need to say some

things here that are not being said that are actually on the flyer. I think that, here again, we will find out more about the flyer.

Let me also talk about—and I must admit that, for some reason, I'm not as upset as probably some of my colleagues, because I'm looking at the fact that HUD spends \$7.5 billion—that's "B," as in boy—that's their total budget. And we're talking about this program spending \$25 million to empower folks. Now, if we were not spending that to empower folks, am I correct in assuming that that \$25 million would go back to making that \$7.5 billion a little bigger? Am I correct in that assumption?

Ms. GAFFNEY. I think that's a correct assumption you could make, yes.

Mr. TOWNS. Well, I'm trying to make certain I really understand the problem, because if you're training people toward self-sufficiency, there are always going to be a few problems along the way. I mean, I think that we understand that.

I think my interest and my concern would be, I guess to you, Mr. Marchman, and to Mr. Moses, what have you done to correct some of the things that you have heard?

Mr. MARCHMAN. There are two things that we have done to correct some of the things that we have heard. And I must say, one comes from the IG's review of our program, in which we have tightened up the administrative procedures that she highlighted. I think those items have been closed out, and I think we have a stronger program now.

No. 2 is probably the most important. A growing sensitivity to the issue of resident empowerment and these programs. I think Chairman Shays said it best, there is a tension between the amount of oversight that HUD must exercise and the desire to make sure that the residents have as much empowerment as possible, that you want to give flexibility through your programs, and that means that you cannot dictate every step of the way. And there is tension, and it won't only just be in this program but in other programs of the department as we go through block granting.

So I believe, in these two areas, that we have tightened up the program. It's also important to understand that, as we begin to devolve, the flexibility and the accountability are the main things which we have to look at.

Mr. MOSES. Mr. Congressman, if I may.

Prior to us coming into office, there were no set systems of control to try to make sure that there was some type of locally based technical assistance provided. I come from housing authorities, two, as a matter of fact, New York City Housing Authority and the city of Los Angeles, where I have run resident initiative programs which have received approximately 11 national award grants for excellence.

Basically, the housing authorities that I come from embraced resident initiatives because we knew we could not be successful in providing housing for low-income residents without their intimate involvement in that process. When we got there, the first thing that happened is that HUD had a policy of interfacing with its customers separately. It never, ever trained them together or talked to them together. We changed that rule.

When I say customers, I identify HUD's customers in public housing as three groups. The first group, our ultimate customers, are the residents. The second group is the housing authority. And the third group is our field staff. Each one of those three entities was trained separately.

The first thing we did is, we began to set up a training mechanism to train them together on our programs so they all fully understood exactly what we hoped to accomplish. The second thing is something that the Secretary himself did to make sure that the Assistant Secretary of Public and Indian Housing had more control over the programs directly that he was responsible for.

As you are aware, in our reinvention process, the Secretary got rid of the regional administration and made the assistant secretaries for programs have direct responsibility, for the first time in the history of the agency, direct responsibility for those programs that reported directly to them.

In that capacity, then Assistant Secretary Shuldiner did several things to make sure that there was a functioning process out there that would allow flexibility and accountability. The first thing he did is, he devolved responsibility to the public housing directors so they could begin to make decisions on a local basis about things that would impact on their programs.

The other thing that he did, he allowed his program directors direct responsibility for administration and oversight of their programs that fall under their jurisdiction. What I did in my field is, I said we did the training together. The second thing that we did is, we changed the ways in which we made these funds available.

If you look at the notice of funding availability that went out in 1993, fiscal year 1993, in comparison to 1994, you will notice some distinct differences that we wanted to begin to try to get some control over these programs. Prior to that time, under the Kemp administration, basically there was a relationship between the resident groups and HUD. There was no interface or a demand for interface between the housing authority, which is the only group that has some professional technical expertise that would be of some benefit to this program.

We demanded that resident groups have a partnership with the housing authority, that they have a partnership with the housing authority, and in addition to that, that, at their discretion, they could even joint venture with the housing authority.

The other thing that we basically focused on, in accordance with the law, we could not say you could hire only a locally based consultant, because that is against the law, but we did put in place that they should try, as effectively as possible, to use local organizers.

The other thing that we did is, we basically began to put in some performance funding measures. The way we put in the performance funding measures, we basically allowed some extra points for resident groups who would basically give us some baseline measures which they would say we should measure their contract against.

Again, before we got there, the resident group could have access to the dollars at will. We basically put in place a \$5,000 limit. That \$5,000 limit could not be accessed unless they have accomplished two things.

The first thing that they have to accomplish is to enter into a memorandum of understanding with the housing authority to say what is the responsibility of the housing authority and what is the responsibility of the group in accomplishing the goals and objectives as outlined by the residents, and second, that they have to put in place a technical assistance strategy, how would they provide technical assistance to help them in the areas where they needed some support. So we began to go through that process.

The second NOFA that we put out, in order, again, to enhance the accountability and make sure that the funds were not misused, we put into our NOFA that no one consultant could receive any more than 50 percent of the grant funds, that no consultant should receive more than that.

Basically, one of the problems with the programs, as the IG has mentioned, one of the ways we operated the programs, we had basically, previous to this administration, we had basically allowed resident groups to begin to perform these functions without having any technical support whatsoever. What we tried to do is, we tried to put in place systems that would allow them to receive this technical support and develop programs that would actually help them to collaborate with one another.

One of the things that we did is, we put something together, a pilot demonstration in this program called the technical assistance organization, or the TAO, if you will, which would put together a number of different grantees in a particular city, or in a particular housing authority, and let them coalesce their funds to put in place a professional staff that would offer them assistance.

The growth of the tenant organization movement is quite similar to the growth of the community based organization movement. When community based organizations started out, they were scrambling along. You had change in the officers, because it's a democratic process, and therefore you had instability. One of the things that strengthened the community based organization movement is, they began to put in place a highly efficient technical staff.

Mr. TOWNS. I have to cut you off. I was having great difficulty doing that because you were saying the kinds of things I was hoping that I would hear. I want you to know that. That's the reason why I allowed you to just go on and on and on.

Mr. MOSES. There's a lot more, sir.

Mr. TOWNS. If I would have been the church, I would have probably said Amen.

Mr. Chairman, I yield back.

Mr. SHAYS. Thank you.

Just to put on the record, Mr. Marchman, how many people went on this trip?

Mr. MARCHMAN. The NTO trip?

Mr. SHAYS. Yes.

Mr. MARCHMAN. I'm not sure how many people went on the trip.

Mr. SHAYS. How much did it cost the taxpayers?

Mr. MARCHMAN. I am not sure how much it cost the taxpayers.

Mr. SHAYS. OK. I want to be on record on three things: First, I want to be on record as objecting to your comments at the start that this wasn't HUD money. Second, I want to express, as profoundly as I can, that HUD does not know how many people went

on this trip. And third, it doesn't know how much it cost the taxpayers.

And all that you mentioned to me, and Mr. Moses, you mentioned, means very little to me when we get a program that you know we're having a hearing about and you don't know a damn thing about what it costs. And that means that we've got a gigantic problem, because there is no oversight.

Mr. TOWNS. Would the chairman yield?

Mr. SHAYS. I would be happy to yield back, but I want to put that on the record.

Mr. TOWNS. Mr. Chairman, I understand your concerns and your anger, to a degree. But, you know, the grantees are really responsible for that, as I understand it. That's my understanding of it.

And let me also say this other thing to you, too, that we might be going down this expressway again, when we talk in terms of block granting, you know, here we go again. So we need to be very careful about this, because I think those people who are supporting block granting, I think we're asking for a lot of things to happen here. So I just want to sort of let the record reflect that as well.

Mr. SHAYS. A fair analysis.

Mr. MARCHMAN. Mr. Chairman.

Mr. SHAYS. Yes, sir.

Mr. MARCHMAN. May I then go on record as saying that my comments at the beginning of the testimony, I did not see and continue to not see that this is a HUD-sponsored event. I do not know how many people went to the conference. It wasn't a conference which we sponsored, as you know.

Mr. SHAYS. Mr. Marchman, you're going down the wrong trail. You really are going down the wrong trail. If you are going to persist and state, one, that it's not HUD money, then you and I have a big problem with your philosophy.

Let me just point out, Mr. Fattah has joined us and has been here a while, and I'm sorry, sir, that I didn't recognize your presence earlier. I'm giving every side 10 minutes, and then we're going to come back for a second pass.

Mr. TOWNS. We have a vote.

Mr. SHAYS. Yes, we're going to have a vote. I guess what we will do is, would you prefer just to recess and come right back?

Mr. FATTAH. Yes.

Mr. SHAYS. Yes, let's do that.

[Recess.]

Mr. SHAYS. The hearing will come to order.

Mr. Martini, you have the floor.

Mr. MARTINI. Thank you, Mr. Chairman.

Once again, let me just repeat that this was brought to my attention by a councilman in the city of Passaic where, some years ago, we had some difficulties with a very major criminal scandal with respect to HUD funds and misuse of funds and actually embezzlement of funds. So there's a great sensitivity in my district to HUD funding, HUD programs, and a great amount of oversight.

And I might say, the Director of HUD there, rightfully, in my opinion, denied this request by the tenants to attend this vacation/convention. In that frame, let me read for the record what exactly

is in the flyer that was promoting this whatever we want to refer to it as, and I will read the whole thing.

It says,

National Tenants Organization 1995 Convention, San Juan, Puerto Rico, El San Juan Hotel and Sands Beach Resort. Come join us in the capital of Puerto Rico, San Juan, at two of the most fabulous casino hotels, the El San Juan Casino Hotel and Sands Beach Resort. This year is the first NTO resort convention planned for enjoyment for the entire family on this very beautiful island.

Make NTO Convention 1995 your family vacation. This will be exciting for all. We promise you a vacation that will be unforgettable. Casinos for dads; beaches, swimming, snorkeling, dancing, and touring, et cetera, for youths; exotic shopping, beauty salons for complete pampering for moms; appetizing, savory, delicious foods for the family meals, babysitting arrangements, and more. Surprises for all NTO members; I promise that.

And then,

I promise that all NTO workshops and convention business will be conducted between 9 and 5 p.m. Promise, promise, promise. But you must help by being prompt for all sessions.

Now, obviously, the commonsense of Councilman Gary Shaer was to bring this to our attention, and rightfully, I think.

Personally, I find this type of notice greatly offensive, but I think, more importantly, we have to get into a letter that was written by Mr. Moses to Mr. Green, on June 27, 1995, because I agree with the chairman, there is almost a suggestion here by some, in their testimony, to distance HUD from this. And yet the fair reading of this letter by Mr. Moses to Ms. Green certainly would lead us to believe that there was involvement by you, directly, Mr. Moses, with Ms. Green as early as June, way before the convention, where, at that time, you knew that the convention was, at the very least, going to be held in San Juan, PR.

I would think, in that meeting with Ms. Green, there would have been some understanding of whether this was necessary, whether this was appropriate funding, and you, in that letter, say it is appropriate funding. And I guess that's the question I have today. There was clearly involvement by you and HUD, you on behalf of HUD, with the approval of this convention in San Juan, PR. So, at the very minimum, there was that much involvement, and we would like to know more about the extent of involvement before the convention occurred.

And I also find it very disturbing, to be honest with you, since this was a hearing which I called for, that we still don't know the cost to HUD, and we still don't know how many people attended. Because, whether you say it's directly or indirectly, it was HUD's funds that were used. And you're sitting here, knowing you were coming before a hearing today, and I would have thought, at the very least, you would have had those numbers by today.

The question then becomes, you approved this as an allowable, appropriate expense, and yet you knew it was being held in San Juan, PR, and why couldn't these types of conventions, if they are so important, be held regionally, which would be far less expensive and eliminate that message that goes out to the taxpayers about the obvious or potential misuse of taxpayer funds?

Mr. MOSES. Mr. Martini, I did know that this group was going to hold its annual convention in Puerto Rico. As I said before on the record, this is the type of event that has been a HUD practice,

prior to me coming there, of supporting these types of events. That is one of the things that we do.

Basically, the only thing that was HUD's involvement with this convention is basically saying, is it an eligible expense item? Will they be offering training that supports the intent of the Tenant Opportunity Program? How it was promoted, we did not get involved in it. What the conditions or arrangements were going to be in Puerto Rico, we did not get involved in.

The only thing I personally did was three things: First of all, I agreed to—they sent me a letter of invitation to speak at the conference. I agreed to speak at the conference because that is what I have done, at not only their conference, for the last 3 years. They change the venue every year. The first conference that I went to speak at was held in Washington, DC, here. I spoke at that conference, and HUD supported it as an eligible expense item. The second conference they held, which was last year, was in Atlanta, GA. I also supported that conference and spoke at that conference. Their third one was in Puerto Rico.

They are the ones who determine the venue; we don't do that. The only thing that we do is basically work with them by saying that is an eligible expense item because the training that they offer supports the intent of the program.

Mr. MARTINI. May I just interrupt. How extensive—when you say the training that they offer, when you met with Ms. Green on June 26, because you did meet with her on June 26, how much depth did you go into, what the agenda will be, et cetera? Because if you read the flyer, about 80 percent of the flyer is devoted to promotion of a family vacation, and very little is directed toward any agenda or any training programs.

Mr. MOSES. That was the flyer. I do not get involved in the promotion. As I said before, I did not even know about the flyer until the honorable councilman called me and faxed it to me. I do not get into that detail. HUD does not do that. This is not our conference.

The meeting on June 26 that I had with Ms. Green was a meeting between not only Ms. Green but the executive director of the Puerto Rican Housing Authority who requested that I set up that meeting. Generally, what happens is, whenever a group of this nature goes to a venue of this type, they usually cosponsor the event with the housing authority.

And what Mr. Miguel Rodriguez, who is the executive director of the housing authority, requested of me was to put a meeting together between him and Ms. Maxine Green, because a large percentage of his residents were members of her organization and was cosponsoring this event, and he wanted to be involved with her and talk about what can the housing authority do to help promote the event.

I was serving as a facilitator. As a matter of fact, before they left that meeting, I had a letter written to both of them from myself outlining exactly what was the terms of the agreement between themselves.

Mr. MARTINI. I see that my time is—may I keep going?

Mr. SHAYS. You may keep going. We're giving everybody 10 minutes, and the gentleman there will get 10 minutes, as well. Then we will go around.

Mr. MOSES. Yes, sir.

Mr. MARTINI. This is a relatively factual question. Am I correct in saying that the TOP Program began in 1988 with a funding level of about \$2.5 million; then it went up, through 1992 and 1993, to about \$5 million; then, in fiscal year 1994, it went up five times to \$25 million, and it's presently at \$25 million today?

Mr. MOSES. Yes, sir.

Mr. MARTINI. Is that accurate?

Mr. MOSES. That's accurate.

Mr. MARTINI. OK. And is it also accurate—do you understand—is this correct, that on the Senate version of the housing appropriation bill right now, Senator Biden has recommended that it be zero funded for the future?

Mr. MOSES. On the appropriations side; yes, sir. However, on the House side in the appropriation act, the original bill had \$15 million for TOP. In the Senate authorization bill, they are asking \$25 million again.

Mr. MARTINI. No, the Senate authorization.

Mr. MOSES. The Senate authorization.

Mr. MARTINI. But the Senate appropriations is recommending zero.

Mr. MOSES. Zero. But the Senate authorization is saying \$25 million.

Mr. MARTINI. And the scope of the TOP Program was significantly expanded, as well.

Mr. MOSES. Yes, sir.

Mr. MARTINI. To include extending the scope of HUD's existing resident management program beyond training for property management.

Mr. MOSES. Yes, sir.

Mr. MARTINI. So, in 1994, I assume is when they included things like—also included are training for employment, training development, business ownership and operation, child care, youth programs, and then additional funding for tenant patrols and other activities to prevent crime.

Mr. MOSES. Yes, sir.

Mr. MARTINI. Do you have an opinion as to the value of including—I can understand the tenant patrols and crime enforcement, et cetera, but do you have an opinion as to whether or not there is value in including training development, and business ownership and operation, and child care and youth programs, directly through HUD versus consolidating those and offering for the general community which we have, as well?

Mr. MOSES. Yes, sir, I do have an opinion.

Mr. MARTINI. And if you could try to make it a little concise, I would appreciate it.

Mr. MOSES. I have worked in public housing for approximately 7 or 8 years. I spent 4 years at the New York City Housing Authority doing these types of programs. I spent three years at the housing authority of the city of Los Angeles doing these types of programs. And I have to be quite frank with you, Mr. Congressman,

basically housing authority communities are isolated communities. They receive little or no help from the locality. Basically, the only way that they began to receive some moneys or some funds is that HUD itself began to offer those services.

HUD has done that by expanding the Family Investment Center Program. The Congress approved that. Congress also approved the Drug Elimination Grant Program, and that was in direct response because they were not getting adequate levels of services from the local law departments.

So, basically, it has been a history where public housing residents and public housing have been seen as isolated communities and have not had access to other types of assistance as other citizens in a community.

Mr. MARTINI. Well, I think we could differ on that, because I guess one of the concerns I have is the multitude of different types of programs the Federal Government offers. And one of the efforts we've had this year is to try to consolidate job training programs and not have them designated under different divisions of the Federal Government, as is the case here.

Mr. MOSES. I can accept your opinion, sir, but I can tell you, from my experience, that is the truth. As I said, I have done these programs.

Mr. MARTINI. One question, if I may, to Ms. Gaffney, and it has to do with TOP funds. I think I'm correct that TOP grant funds are not supposed to be used for lobbying purposes or for entertainment; is that correct?

Ms. GAFFNEY. That's correct.

Mr. MARTINI. Have you had the benefit of reading what the National Tenants Organization was promoting in some of their literature? I mean, it's clear. I have a copy of it here. In the interest of time, not to use all of our time in reading this, but it's certainly clear to me that this is advocating and lobbying. And yet have there been any efforts by HUD to restrict this?

Ms. GAFFNEY. All I can tell you, Mr. Martini, is what we're doing now, and that is, we are looking into what happened, all circumstances surrounding that conference, and NTO's overall role with respect to HUD and resident initiatives. And we have just started that review. We have had some difficulty getting access to data, so we're a little behind the curve.

Mr. SHAYS. Would the gentleman yield a second on that?

Mr. MARTINI. Sure.

Mr. SHAYS. We have a hearing on December 12. We need that report done by that date. You need to tell us who is not cooperating with you. If anyone from the tenant associations is not cooperating, then we need to know that, and we will subpoena any information and any individuals to get that information. We are finding that people are not being candid with us.

Ms. GAFFNEY. Yes, sir. Thank you.

Mr. MARTINI. Just one final question, I think, and that is, if it hadn't been for Councilman Shaer bringing that flyer to my attention, and then my bringing it forward to this subcommittee, what oversight measures would there have been to have disclosed this type of misuse, clearly, both misuse, in my opinion, of presenting a convention which, the way it's presented, clearly indicates it's

more of a family oriented convention than a real workshop, but also, what oversight measures were in place to prevent this type of inappropriate use of TOP funds, which is using their funds, which you said are not supposed to be used for lobbying?

So, if it wasn't for Gary Shaer, how many other instances are there out there, throughout the Nation, where you don't know about conventions being held at inappropriate sites or being promoted in an inappropriate way or lobbying efforts being done with TOP funds?

Ms. GAFFNEY. Well, you are correct. Obviously, Public and Indian Housing knew about this. Were it not for your bringing it forward, I assume we would never have known about it; "we," meaning the Office of Inspector General.

Mr. MARTINI. And what steps have been taken since this has come to your attention to begin the process of changing that? Because that gives me a great concern. And I'm glad we had this hearing, because if it weren't for one individual who was conscientious on this, we would still be having large sums of money being used in an inappropriate way that is not going to serve the people that need it the most, the people that need housing and the funding for the real uses of these moneys.

Ms. GAFFNEY. Mr. Martini, I wanted to say something to you, and I don't remember if you were in the room when I said it before.

Mr. MARTINI. I don't think I was.

Ms. GAFFNEY. That is, that flyer is a terrible thing. It does us a great disservice, all of us in the Federal Government. It makes the taxpayers believe even more that we are not serving their interests, that we are abusing their tax dollars. But I just want you to know that I am aware, within the Government, of other instances like this. And I don't want you to think that's isolated. If this subcommittee could take a stand on that issue, broadly, it would be, I think, a major step.

Mr. MARTINI. Thank you very much.

Mr. SHAYS. Mr. Fattah, you have a generous 10 minutes.

Mr. FATTAH. Thank you, Mr. Chairman.

Let me, first of all, separate myself from previous comments by members of the committee that, I think uncharacteristic of our committee, we bordered on being rude to the people who are testifying here today. And I do want to separate myself from those comments.

Mr. SHAYS. Would the gentleman be specific as to what comments he would like to separate himself from?

Mr. FATTAH. I really don't want to use my time to do that.

Mr. SHAYS. We won't count your time.

Mr. FATTAH. I think that the tone of the questioning prior to the vote break was uncharacteristic of the committee and does a disservice to us.

Mr. SHAYS. Well, the gentleman might want to stay for the whole hearing, because it's going to continue.

Mr. FATTAH. Thank you, Mr. Chairman.

Let me say that, as far as I can tell, San Juan, PR, is part of the United States of America. And I would also like to separate myself from the suggestion that somehow it's an inappropriate location for conferences or for American citizens to travel to for any

purpose. There are plenty of sons of Puerto Rico who have given their lives in defense of this country.

Let me now deal with the sum and substance of this issue. HUD, through its \$7 billion or more in appropriations, I would assume—and I'm really focusing on the Inspector General—that most of these dollars go to local public housing authorities. Some of it goes to State governments and city governments directly. Some of it goes to social service agencies like Catholic Charities or the Jewish Employment Services to do housing development, or other developers who do specific duties as authorized by the Congress and as implemented by HUD. Is that correct?

Ms. GAFFNEY. But I think that the \$7 billion we're talking about here essentially is going to public housing authorities.

Mr. FATTAH. OK. In terms of the totality of HUD funds, then, how many dollars are yearly spent by HUD?

Ms. GAFFNEY. About \$25 billion.

Mr. FATTAH. How many of those dollars are under the control of public housing tenant groups, these resident management associations?

Ms. GAFFNEY. I can't answer that question, because the resident groups are eligible for funding from public housing apart from the TOP program.

Mr. FATTAH. Right.

Ms. GAFFNEY. They are also eligible for funding through the modernization programs and operating subsidy. Perhaps Kevin can correct me—but, to my knowledge, HUD does not have data that specify those amounts. But I would have to assume, that it's very small in relation to the overall amount.

Mr. FATTAH. A very small amount.

Ms. GAFFNEY. That is my assumption also.

Mr. FATTAH. I am aware that, at the beginning of this administration, you had a great deal of work to do in reference to scandals at HUD, because in the previous administrations there had been serious problems, as I recall it, and they didn't involve tenant associations; mismanaging, wasting, acting in corrupt ways, utilizing dollars that were in great excess of the annual appropriate for this program. So I want to compliment this new administration at HUD for helping to clean this agency up.

As relates to the TOP program, in particular, I want to know that you basically provide money to these organizations, and technical assistance is one of the allowable expenses, Mr. Marchman.

Mr. MARCHMAN. Yes, sir.

Mr. FATTAH. Is that correct?

Mr. MARCHMAN. Yes, sir.

Mr. FATTAH. Now, does HUD provide technical assistance dollars to local housing authorities, too?

Mr. MARCHMAN. Yes, it does.

Mr. FATTAH. And for other types of nonprofits that receive assistance?

Mr. MARCHMAN. Yes, it does.

Mr. FATTAH. So, in terms of the normal process of technical assistance dollars, do you restrict what conferences, what workshops, what types of expenditures can be used in terms of technical assistance, as a general course, at HUD?

Mr. MARCHMAN. What we do is define what is an eligible use of the funds.

Mr. FATTAH. OK. You don't discriminate between resident groups and local housing authorities or other groups about what is an appropriate use of technical assistance dollars?

Mr. MARCHMAN. No, we do not.

Mr. FATTAH. Now, the thrust of the comments here seem to suggest that, even though the TOP program is a resident management empowerment program, that somehow HUD should, in fact, dictate to these resident management groups what would be appropriate, what would be inappropriate, and to offer more than, I guess, guidance on this.

How does this process actually work? Do they come to you and ask permission to go to the conference, or do they go to the conference and then request reimbursement? Which way is this handled?

Mr. MARCHMAN. In this case, they have a line item under their grant for training and for travel. They decide, in the period in which the grant is in effect, in this case it's 5 years, to which training and which travel they would like to go. They don't ask us for permission for a particular conference. What they do do is request reimbursement after the conference.

Mr. FATTAH. Now, this whole resident management initiative was a Republican initiative, as I recall it, under a former member of this body, Jack Kemp, who was the HUD Secretary, as part of Bob Woodson's whole discussion about how to move toward self-sufficiency, how to empower people to have control of their own destiny. Do you think that it's contrary to the philosophy that developed the program to handicap these entities from making decisions about what kinds of training they themselves think would be appropriate?

Mr. MARCHMAN. I think it would be contrary if we chose to overburden them with regulations different than we would anyone else.

Mr. FATTAH. I really want to thank you.

Mr. SHAYS. What does the gentleman mean? Could I just ask him? Not off of your time, sir. Could he just elaborate what he means by that comment?

Mr. MARCHMAN. Sure.

Mr. SHAYS. Let me make a point. Mr. Fattah, I'm exercised and you're exercised. But one thing I want to assure you, you will never be denied an opportunity to go to the full extent of your questions. It's a practice that we had with Mr. Lantos.

Mr. FATTAH. I'm not exercised at all, Mr. Chairman.

Mr. SHAYS. OK. Well, you seem surprised that I would want to just inject myself. And I just want you to know I always will extend the same.

Mr. FATTAH. I have total respect for the chairman, and your prerogatives are clear.

Mr. SHAYS. I would never want to abuse them; that's my point. I'm sorry. If you would just elaborate on that point.

Would you stop the clock and start over again for the gentleman.

Mr. MARCHMAN. My point is that we would not want to regulate a group, whether it's a resident group, whether it's a housing authority group, or any other group, to the extent which they can't

make judgments and decisions on their own. Yet we do have the responsibility and the accountability to make sure that Federal funds are being spent wisely. But we would not seek to, in this particular case, tell the residents of Detroit or Atlanta exactly what conference they would have to go to, how to get there, or anything like that.

Mr. SHAYS. Would you weigh in on saying whether it's appropriate to advertise it as a vacation?

Mr. MARCHMAN. My personal judgment?

Mr. SHAYS. I don't want your personal judgment; I want your judgment as the acting person in charge.

Mr. MARCHMAN. No.

Mr. SHAYS. OK. I thank the gentleman.

Mr. FATTAH. Let me continue.

Mr. SHAYS. Please start over his time.

Mr. FATTAH. There has been a lot of concern about the local housing authorities, what are called troubled housing authorities, housing authorities that have had control of billions and billions of dollars, much of which has been misspent or incorrectly dealt with. In the normal processes, audit exceptions, you go through, you go back, you audit, and you find what is acceptable and what is unacceptable.

I would assume that's really the same process you go through in terms of the resident management groups; right?

Mr. MARCHMAN. You're right; yes, sir.

Mr. FATTAH. OK. And if we were going to look at changes, it would seem to me that it would be appropriate for us to look at changes for the whole aggregation of agencies that receive dollars from HUD and, again, not to single out resident management groups to be treated differently than any other entity that would be eligible for funding through HUD. Because I think that really sends a different message than perhaps Secretary Kemp and others have had in terms of this initiative.

The last thing that I really want to deal with is this conference itself, because I don't want to skip the point. The National Tenants Organization, this organization, is this a HUD-created entity?

Mr. MARCHMAN. No, it is not.

Mr. FATTAH. Did you create this organization? Do you run it?

Mr. MARCHMAN. No, sir.

Mr. FATTAH. Do you have anything to do with deciding where they meet at?

Mr. MARCHMAN. No, we do not.

Mr. FATTAH. OK. Now, in terms of the planning for this conference, did anyone in your control in your agency, that you know of, create this flyer?

Mr. MARCHMAN. No, sir.

Mr. FATTAH. Cause it to be distributed?

Mr. MARCHMAN. No, sir.

Mr. FATTAH. Approve it, authorize it in any way?

Mr. MARCHMAN. No, sir.

Mr. FATTAH. OK. So it is difficult for me to understand how we would then burden you with justifying it. And I would invite the committee—at some point maybe we should consider bringing in officials from this organization to explain why it is that they decided

on this conference site and what was the purpose of the conference, rather than to ask questions of people who obviously can't answer them.

But I do want to see if we can get one specific answer.

Mr. SHAYS. Could I just state for the record, Mr. Fattah, just for the record, they were invited, and they declined to come.

Mr. FATTAH. OK. Thank you. You said that they were invited?

Mr. SHAYS. Yes. To be more precise, the individual in charge of the NTO said she had high blood pressure and could not attend and will be invited on the 12th. I just want the record to show that she has been invited and that we will have a second hearing. Thank you.

Mr. FATTAH. OK. Thank you.

Now, Mr. Marchman, I do want to see if we can get to one specific point, though, and that is—because the chairman has asked a number of times about the number of people who have come and not come. Do you know the number of residents that went to the convention in Puerto Rico that used TOP funds for reimbursement, and how did you arrive at that figure?

Mr. MARCHMAN. It looks to be just under 100 individuals used the TOP grant to attend the conference. A couple of weeks ago, when we knew that this was going to be among the focuses of this hearing, we called our field offices and asked them to ascertain how many people went to the conference using the TOP grant.

It's difficult, in some cases, and I will just give you an example, because it's been the one that has been publicized. Detroit sent, it looks like, 23 people to the conference on their TOP grant, and the remaining number, up to, I think, 30 to 35, were allocated by the housing authority itself.

Mr. FATTAH. OK. So the way these conferences work, as I would understand it, because there are conferences all the time, is that the local housing authorities, these boards, usually decide that tenants can go, or staff can go, or the like, and they pay for them out of their HUD authorized funds.

So if we're really concerned about taxpayers' dollars being spent to support people to go to this conference, there were a whole host of people at this conference who were paid out of probably HUD dollars, but dollars that were controlled by local housing authorities, as part of the devolution, if you will, of the Federal Government's control, that would have sent people to this convention.

It's not just that resident management associations made decisions that this conference was worthwhile, but, in my case, in Philadelphia, our mayor, our president of the city council sit on the local housing authority, and others, made decisions, separate and aside from the TOP funds, that this was a worthwhile endeavor, and sent people.

So if the committee is truly concerned about the use of tax-subsidized dollars for people to attend this conference, it's not just the TOP Program that would have supported them.

Mr. TOWNS. Will the gentleman yield?

Mr. FATTAH. Yes.

Mr. TOWNS. How much money are we really talking about, we've got the numbers, in terms of TOP dollars, in terms of the conference?

Mr. MARCHMAN. I'm sorry. I'm unable to provide that at this time. We are trying to put together the precise number of people who were requesting to be reimbursed for the conference using the TOP grant. And I'm sure we will have that figure to you by your next hearing, if not sooner.

Mr. TOWNS. You know, I don't want to push you on this too much, but Would you say it is over 20 or under 50? Would you have some round number, without actually holding you to the number?

Mr. MARCHMAN. I would have to imagine, given the reimbursement rates, not only for travel but for per diems, if you look at an individual who probably could have paid a \$500 round trip ticket, a per diem rate of some \$26 a day, and various other—I'm hearing things in the back—I can't imagine that it cost any more than \$1,000 per person. I simply don't know, and I hesitate to guess. But we hope to have those figures to you.

Again, part of the TOP grant means that you reimburse yourself from the grants, and that has to be approved to make sure that there is not use of the funds that would not be warranted.

Mr. TOWNS. This hearing might cost more, huh?

Anyway, I yield back.

Mr. SHAYS. Let me respond to that last comment. I fully expected to have this hearing be over by 12:30. I fully expected this Department to say, this was an event that should not have happened. I fully expected the Department to know what was spent. I fully expected to say, "Hey, we blew it, and it's not entirely our fault." But the attitude of the Department on this issue has made me realize that we really need to sink our teeth into this. And I regret having to say it, because I have a lot more important things.

The comment that we spent \$25 million out of \$5 billion is not the issue that bugs me. What bugs me is, we spent \$25 million, and I want that \$25 million spent on tenants in an effective way. That's what bugs the hell out of me. And when I went to Cabrini Green and saw a tenant association that was doing their job well and is shortchanged, that's what gets me upset.

I feel I'm on the side of the tenants on this. I think a few select people got to go on what I think was a combination convention/vacation/working activity. And so I am reacting to what is a gigantic surprise on my part. And we have had a hard time getting the NTO to give us numbers. Their reluctance in giving us numbers raises gigantic concerns.

So, regretfully, we are going to spend more time on this hearing, regretfully, and we are going to get to the bottom of it. And I have never, ever, in this committee, blamed a Republican or Democrat. I have gone after the Republican administrations as badly as Democrats and never said it's a Republican or Democrat thing.

So I don't hold you responsible for what preceded; I hold you responsible for your attitude now about this. And it started off on a bad foot when you said no HUD money was used. That was very—it was just totally wrong. It is all HUD money. So, with all due respect to my colleague, who I have endless respect for, we are going to be in this real deep.

I yield to my colleague for questions.

Mr. MARTINI. Yes. In listening to Mr. Fattah's line of questioning just a moment ago and the answers that were elicited, clearly the intent of the questions and the answers were that HUD had little, if any, control or oversight over NTO. And yet the letter of June 27, 1995, by Mr. Moses to Ms. Green, certainly is a letter which is stating—the bottom line to that letter—saying, this is an allowable expense.

What I'd like to know is, before writing this letter, how specific, and was there a written proposal, an agenda submitted by the NTO to you? How detailed was that, setting forth what, in fact, was intended to be accomplished by this convention or vacation in Puerto Rico, whatever? And, again, I give you the latitude as to whether it was a—I agree with the Chairman, it probably was a vacation/workshop—but I'm more concerned about the oversight that HUD has over this before you gave the approval.

Now, if you just gave the approval based on the middle paragraph of your letter, that would not be sufficient to satisfy me, and that would not, in my opinion, be adequate oversight or supervision of this use of funds. So if you can answer that, it might help us.

Mr. MOSES. The answer is, basically, what we do when we begin to say whether or not this is an eligible use of dollars, we look at the content of the training session and see whether or not it supports the TOP Program and whether it's an issue not to just make money for the organization. And, basically, what Ms. Green had done was presented to us a proposed agenda which talked about a series of workshops.

Mr. MARTINI. Do you have that in writing? I mean, there was a proposal beforehand submitted to you by Ms. Green?

Mr. MOSES. Yes.

Mr. MARTINI. OK. And are you aware if, in fact, after the fact, there was an agenda at the convention?

Mr. MOSES. Yes. I'm sorry. That is the final agenda, but she did draft a proposal of an agenda that she would be discussing at the conference. A lot of it had to do with issues that we directly support, issues that resident groups automatically try to accomplish under the Tenant Opportunity Program. In addition to that, we also basically participated in the program. Staff from my office went there to offer training and assistance.

So, yes, we did have some idea of what was going to be offered in the National Tenants Organization conference prior to sending out the letter. We just do not give sort of a carte blanche letter to anyone coming in and asking.

Mr. MARTINI. Well, Mr. Chairman, I've just received some information which I'd like a few moments just to read over. So I will yield back the balance of my time for now in the interest of saving time.

Mr. MOSES. If I may, sir, as was mentioned earlier, we did not see the flyer. As a matter of fact, the only time that we knew about the flyer is when the honorable councilman called me about it and faxed it to me. So we don't get into that detail. What we do is, we do look at the proposed programs, and that's what we based the letter on.

Mr. MARTINI. Just to be sure, so the record is accurate, the document which I have in my hand, which consists of six pages stapled

together, you would describe this as the proposed agenda that was presented to you by Ms. Green prior to or on or about June 26?

Mr. MOSES. Yes, sir.

Mr. MARTINI. OK. And then there's another document of three pages, so that they could be part of the record, but this is by the National Tenants Organization, and it seems to set forth a tentative agenda. Is this a document that was received by you after the convention or just around the time of the convention?

Mr. MOSES. That also was received prior to the event, when the initial conversation started.

Mr. MARTINI. All right. So this was around June 26?

Mr. MOSES. No, sir. They start to plan their conference right after the end of their previous conference. So, basically, what they do is, they begin to outline to us what some of the topics are they want to talk about. And then, working with staff, they begin to sort of flesh out those details.

Mr. MARTINI. The reason I asked those questions is, there are no dates. There is no date on either of these, but I'm assuming you have helped us to give us the timeframe around which you received these.

Mr. MOSES. Yes, sir.

Mr. MARTINI. But, once again, for the moment, at least, I'd like to yield back the balance of my time to have a chance to read these.

[The information referred to follows:]

P01 SUNDAY, AUGUST 20TH

9:00AM - 4:00PM
REGISTRATION

9:00AM - 11:00AM
BREAKFAST BOARD MEETING

10:00AM - 11:00AM
DEVOTIONAL SERVICE

12:00M - 1:00PM
CHAIRWOMAN'S LUNCHEON
PAT ARNAUDO, DEPUTY DIRECTOR
FOR PROGRAM DEVELOPMENT HUD
ANITA OWEN HARKEY, BOARD MEMBER
TENANT AFFAIRS OF DETROIT

2:00PM - 4:00PM
OPENING SESSION- JOAQUINA CRUZ

INTRODUCTION OF N T O CHAIRWOMAN- MAXTNE GREEN

WELCOMING REMARKS
MYRIAM ALAMEDA, LOCAL TENANT LEADER
MIGUEL RODRIGUEZ, PRPHA EXECUTIVE DIRECTOR

HISTORY N T O - MAE LANE, N T O MEMBER-AT-LARGE

CONFERENCE OVERVIEW
ED MOSES, AND STAFF HUD WASHINGTON, DC
BLUEPRINT
TOP PROGRAM
SECTION 3/ ECONOMIC DEVELOPMENT
RESOURCES FOR HOME OWNERSHIP
SECTION 5(h) REGULATIONS
LEGISLATIVE UPDATE- JIM HAUGHTON, N T O
LEGISLATIVE COMMITTEE CHAIR

N T O

1074008456

6

4:00PM - 5:00PM
GRANNY'S GANG TO SAVE GENERATION WORKSHOP
MAXINE GREEN

5:00PM - 6:00PM 7pm (some longer)
STATE MEETINGS

RECESS --

MONDAY, AUGUST 21ST

7:00AM - 9:00AM

EARLYBIRD WORKSHOP

ORGANIZING TECHNIQUES & COALITION BUILDING
REV. JAMES ORANGE, N.T.O. RELATIONS OFFICER
THUNDERBOLT PATTERSON, N.T.O. FIELD ORGANIZER
~~MYRIAM ALAMEDA~~ X

MATERIALS ON ORGANIZATION

9:00AM - 2:00PM

REGISTRATION

MAXINE GREEN
X Jim ~~HAUGHTON~~ HAUGHTON
DAVID RUFUS

* SPEAKERS

10:00AM - 12:00M

GENERAL SESSION

THE FUTURE OF T.O.P. AND RESIDENT PROGRAMS
ED MOSES, DEPUTY ASSISTANT SECRETARY FOR
COMMUNITY RELATIONS
INVOLVEMENT STAFF H.U.D. WASHINGTON, D.C.

TENANT PARTICIPATION/ORGANIZING RESIDENT COUNCILS

PAT ARNAUDO, DEPUTY DIRECTOR FOR PROGRAM
DEVELOPMENT, H.U.D. CENTRAL
LOUISE WATLEY, N.T.O. BOARD MEMBER
NELLIE REYNOLDS, N.T.O. BOARD MEMBER
LINDA HAIGLER, HUD PUERTO RICO
RUBEN BIDDY, TOP STAFF, QCRI, HUD, CENTRAL
ANTONIO GARCIA, RESIDENT COUNCIL PRPHA

ECONOMIC DEVELOPMENT/SECTION 3

PAT ARNAUDO

LOUISE WATLEY
 RITA RIVERA, PUERTO RICO
 RUBEN BIDDY

12:00PM - 1:00PM
 LUNCH BREAK (ON YOUR OWN)

1:00PM - 4:00PM WORKSHOPS
 T.O.P. WORK PLAN
 PAT ARNAUDO
 ✕ RUBEN BIDDY
 ✕ LINDA HAUGLER
 ✕ WILFRED GALSSEN, CHICAGO, ILLINOIS

HOMEOWNERSHIP/5(h)
 PAT ARNAUDO
 NIVEA SANTIAGO, PUERTO RICO TO
NANCY RODRIGUEZ, PRPHA

4:00PM - 5:00PM LATER THAN 5 PM
 REGIONAL MEETINGS

TUESDAY, AUGUST 22ND

JIM HAUGTON,
 NTD CHAIR
 (ALL DAY)

9:00AM - 2:00PM

REGISTRATION OFFICIALLY CLOSES AT 2:00PM)

9:30

10:00AM - 12:00M

TOWN HALL MEETING

MEETING
BEGUN

"THE FUTURE OF PUBLIC HOUSING"

MICUEL RODRIGUEZ, PRPHA

MIKE JANIS, HUD

HECTOR MERCADO HUD PUERTO RICO

RESIDENT MANAGEMENT

RECINO COLON, DEPUTY PRPHA

12:00M - 2:30PM

(STARTED LATE)

WOMEN'S LUNCHEON

LENA BIVENS, N.T.O. MID WESTERN REGION

VICE CHAIRWOMAN

WANDA RODRIGUEZ, PRPHA

3:00PM - 5:00PM

TOWN HALL MEETING CONTINUES -

BLUEPRINT / FUTURE OF
 PUBLIC HOUSING
 - DRUG ELIMINATION
 - CRIME

RECESS RUSAN BIDDY

NILIA SANTIAGO
 (PUERTO RICO)
 RIC

NAT'L GUARDDEPT TO RODRIGUEZ

VISITS TO PRPBA DEVELOPMENT

AUGUST 22, 1995 - 5:00PM - 9:00PM

TOURS

LUIS LLORENS TORRES - (LGESE DEV)
 RAFAEL MARTINEZ NADAL (ANOTHER DEV)

AUGUST 23, 1995 - 5:00PM - 9:00PM

TOURS

ANTIGUA VIA
 LOS CEDROS
 COVADONGA
 EL TREBOL
 MAUEL A PEREZ
 CRISANTEMOS I & II
 RAMOS ANTONINI
 MANUEL A PEREZ EXTENSION
 EL PRADO
 JARDINES SELLES

80-100 PER HOUR
 BUSES (LARGE - 50)
 VANS (3-4 VANS)
 CARS

PO3 WEDNESDAY, AUGUST 23RD

8:00AM - 10:00AM

SECURITY WORKSHOP

ZORAIDA STERLING (RESIDENT - PR)

VIOLETA RODRIGUEZ (DIRECTOR PI, PR H.A.)

RAFAEL BABILONIA (DRUG ELIMINATION)

10:00AM - 12:00M

DAVID RUFUS, CHAIR OF EASTERN REGION
SYRACUSE, NY

YOUTH
SESSION

— LINNES FINNEY, JR ESQ.

HELP YOUTH
PEOPLE REMAIN
IN SCHOOL

GARY, WILLIAMS, PAREOTI FINNEY, LEWIS
& Mc MANUS LAW FIRM

MORE
DISCUSSION
DRUG
ELIMINATION

— (REPRESENTED BY MARVAUGHN DONOVAN)
PT. PIERCE

MORE
PRO L.A.F.

12:00M - 2:00PM

CARLOS VIVONI, SECRETARY PRDH (GUEST SPEAKER)

AWARDS LUNCHEON BROUGHT GREETINGS FROM GON

2:00PM - 5:00PM

NTD ELECTIONS

DID NOT HAVE 25
POT APPROVED NEXT ELECTION
(AMENDMENT NTD BY LAWS)

6:00PM - 8:00PM

INSTALLATION OF NEW OFFICERS AND BOARD RECEPTION

RECESS

CONCURRENT TOURS
+ COMMITTEE MEETINGS

THURSDAY, AUGUST 24TH

RESOLUTIONS REMOVED

8:00AM - 10:00AM

BOARD MEETING BREAKFAST

CONFIDENTIAL BREAKFAST

10:00AM - 12:00M

BUSINESS SESSION AND ADJOURNMENT

ADJOURNMENT

A LOT RESIDENTS LEFT
WED.



NATIONAL TENANTS ORGANIZATION, INC.

MARINE GREEN
Chairman
Fairbanks, New York
New York City, New York
Fort Pierce, Florida

JOHN GRAY
President

N.T.O. 1995 NATIONAL CONVENTION
AUGUST 20TH - 24TH, 1995
EL SAN JUAN HOTEL & SANDS HOTEL AND CASINO BEACH RESORT
P.O. BOX 8676
SAN JUAN, PUERTO RICO 00914-8676
800-443-2009

T E N T A T I V E A G E N D A

S U N D A Y , A U G U S T 2 0 T H :

REGISTRATION	9:00 A.M. - 4:00 P.M.
BREAKFAST BOARD MEETING	9:00 A.M. - 11:00 A.M.
DEVOTIONAL SERVICE	10:00 A.M. - 11:00 A.M.
CHAIRWOMAN'S LUNCHEON THE HONORABLE ANDREW YOUNG	12:00 P.M. - 1:00 P.M.
OPENING SESSION	2:00 P.M. - 4:00 P.M.
SELECTION	
INVOCATION	
INTRODUCTION OF N.T.O. CHAIRWOMAN	
WELCOMING REMARKS	
GOVERNOR, PUERTO RICO	
MAYOR, SAN JUAN	
LOCAL TENANT LEADER	
HOUSING AUTHORITY EXECUTIVE DIRECTOR	
HISTORY N.T.O.	
CONFERENCE OVERVIEW	
ED MOSES, AND STAFF H.U.D. WASHINGTON, D.C.	
BLUEPRINT	
T.O.P. PROGRAM	
SECTION 3 / ECONOMIC DEVELOPMENT	
RESOURCES FOR HOME OWNERSHIP	
SECTION 5(h) REGULATIONS	
LEGISLATIVE UPDATE	
ANNOUNCEMENTS	
STATE MEETINGS	4:00 P.M. - 5:00 P.M.

R E C E S S

OFFICE OF THE CHAIRWOMAN, MARINE GREEN
P.O. Box 3716, Fort Pierce, Florida 34946-3716
(887) 443-7438
FAX: (887) 443-0446

PAGE 2, TENTATIVE ACENDA

MONDAY, AUGUST 21ST:

EARLYBIRD WORKSHOP 7:00 A.M. - 9:00 A.M.
 REV. JAMES ORANGE
 ORGANIZING TECHNIQUES & COALITION BUILDING
 REGISTRATION 9:00 A.M. - 2:00 P.M.
 GENERAL SESSION 10:00 A.M. - 12:00 P.M.
 ED MOSES AND STAFF, N.U.D. WASHINGTON, D.C.
 LUNCH BREAK 12:00 P.M. - 1:00 P.M.
 (ON YOUR OWN)
 WORKSHOPS 1:00 P.M. - 4:00 P.M.
 REGIONAL MEETINGS 4:00 P.M. - 5:00 P.M.

R E C E S S

TUESDAY, AUGUST 22ND:

REGISTRATION 9:00 A.M. - 2:00 P.M.
 (OFFICIALLY CLOSES AT 2:00 P.M.)
 TOWN HALL MEETING 10:00 A.M. - 12:00 P.M.
 JOSEPH SHULDINER, ASST. SECRETARY FOR PUBLIC AND INDIAN
 HOUSING, N.U.D. WASHINGTON, D.C.
 "THE FUTURE OF PUBLIC HOUSING"
 WOMEN'S LUNCHEON 12:00 P.M. - 2:30 P.M.
 TOWN HALL MEETING
 CONTINUES 3:00 P.M. - 5:00 P.M.

R E C E S S

PAGE 3, TENTATIVE AGENDA

W E D N E S D A Y , A U G U S T 2 3 R D :

Y O U T H M O R N I N G

YOUTH BREAKFAST	8:00 A.M. - 10:00 A.M.
YOUTH GENERAL SESSION	10:00 A.M. - 12:00 P.M.
DAVID RUFUS, N.T.O. EASTERN REGION VICE CHAIRMAN	
AWARDS LUNCHEON	12:00 P.M. - 2:00 P.M.
N.T.O. ELECTIONS	2:00 P.M. - 5:00 P.M.
INSTALLATION OF NEW	
OFFICERS AND BOARD RECEPTION	6:00 P.M. - 8:00 P.M.

R E C E S S

T H U R S D A Y , A U G U S T 2 4 T H :

BOARD MEETING BREAKFAST	8:00 A.M. - 10:00 A.M.
BUSINESS SESSION AND	
ADJOURNMENT	10:00 A.M. - 12:00 P.M.

A D J O U R N M E N T

T H A N K Y O U F O R C O M I N G

G E T H O M E S A F E L Y ! ! !



NATIONAL TENANTS ORGANIZATION, INC.

MAURICE CHERRY
Chairman
President, N.T.O. Inc.
New York City, New York
Post Office, 10014

JOHN GRAY
President

June 1995

SAVE THE BROOKE AMENDMENT!

For almost twenty five years the Brooke Amendment has ensured fair rents in public housing by guaranteeing that no one pays more than 30% of their adjusted income;

- o the Brooke Amendment was enacted in 1969 through the efforts of the National Tenants Organization because public housing rents were too high for the poorest tenants to afford;
- o if the Brooke Amendment is repealed, the people who will be hurt the most by rent increases are those most in need;
- o replacing the Brooke Amendment with flat rents or minimum rents will mean that public housing will be too expensive for the people with the lowest incomes;
- o raising rents means more evictions and homelessness!!!

**THIS COUNTRY SHOULD NOT SOLVE ITS BUDGET PROBLEMS
BY ASKING THE POOREST PEOPLE TO PAY MORE!**

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OFFICE OF THE CHAIRMAN, MAURICE CHERRY
P.O. Box 244, New York, New York 10014
NEW YORK
NEW YORK 10014

Mr. SHAYS. Would you like to ask some questions?

Mr. TOWNS. Yes, I would, Mr. Chairman.

Let me just sort of deal with a couple things here. You know, if there is one incident, or two incidents, or whatever, I mean, the point is that I don't even want to talk about those kinds of things. I think, Mr. Marchman, what I would like to hear from you is some of the success stories. And I know there must be many.

Mr. MARCHMAN. There are many. And I can point to recent examples that I saw in Chicago on my visit there, or my stay there over the summer. Without getting into specifics, one of the reasons why we expanded the program just from resident management is because the residents asked us. The residents were not interested, in all cases, just to do resident management. They were interested in that there are economic activities also.

I think it has been pointed out, the creation of babysitting services, janitorial services, services in which residents can begin to be trained for employment. I think you have in front of you, at least I handed out, the book from grantees which shows job creation and training for job preparation as a result of the top grant.

I really strongly believe that the program has been successful, understanding that it's at its beginning stages, and we're working with residents who don't always have the resources to get underway. We have seen it—and I really don't want to belabor my answer here—but we have seen, in order for a housing authority to move further, its residents have to be able to move forward.

The Congressman mentioned about working with troubled housing authorities, which we do. We have found a direct correlation between troubled housing authorities and lack of resident participation and preparedness. That's why we saw the expansion of this program and believe it is deemed necessary.

Mr. TOWNS. The other thing that I would sort of be concerned about, in terms of what transpired at the conference in terms of the material. I mean, those are the questions that I think we should deal with rather than a flyer. You know, this flyer thing, it really bothers me, in terms of—and I think that I'm a little shocked because those of who are sitting up here and have been involved in this political arena, I'm certain there have been some flyers out there that we did not know anything about or want to be identified with. I can even tell you some flyer stories with me, and that kind of thing.

But the point is that I don't want to get into that. But I just think that a piece of paper that is made on somebody's xerox machine and sent to somebody, I mean, you need to be careful with that. You don't kill a program that we know has had some success because of the fact that somebody said there would be some snoring after 5 o'clock.

Mr. MARCHMAN. Congressman, if I could just add on to that answer, I was just handed by staff what I believe is a mark of the success of the program, that 68 percent of them have acquired the services of a certified CPA to begin the process of putting their financial management systems together; 73 percent of the TOP grants have been incorporated; 76 are fully trained and operational. There has been movement on a small amount of dollars, and we hope to build upon that.

Mr. TOWNS. Thank you. I yield back, Mr. Chairman.

Mr. SHAYS. I'm confused. You said 68 what?

Mr. MARCHMAN. I'm sorry. I think I have something that you don't have. Sixty-eight percent have acquired the services of a CPA.

Mr. SHAYS. Aren't they all supposed to have acquired the services of CPA's?

Mr. MARCHMAN. Well, some of them are moving to the point of establishing their financial management systems, a part of a grant allows them to do that.

Mr. SHAYS. That's not what I asked. Aren't all, 100 percent, required to have CPA's?

Mr. MARCHMAN. Yes, they are.

Mr. SHAYS. OK. Tell me where in the statute we allow for trips.

Mr. MARCHMAN. I don't think I can point directly for trips. I think it allows travel and travel costs associated with training. I don't have that in front of me.

Mr. SHAYS. I've looked at it. I don't see it.

Ms. Gaffney, where in the statute is that allowed?

Ms. GAFFNEY. I'm not aware that there's a specific reference to trips.

Mr. SHAYS. Where does HUD have the right to give money to tenant associations for trips?

Mr. MOSES. If I may, sir.

Mr. SHAYS. Mr. Moses.

Mr. MOSES. Yes. In most legislation there isn't any statute that basically says that you can utilize moneys for trips.

Mr. SHAYS. OK.

Mr. MOSES. If you look at the Hope 6 legislation, which is a \$500-million program, nowhere is it mentioned that there should be money set aside for travel. What it basically does in the legislation, you, the Congress, ask HUD to put out rules and regulations.

Mr. SHAYS. So you put out rules and regulations that allowed for trips?

Mr. MOSES. Yes, sir.

Mr. SHAYS. So you, HUD, have done that; right?

Mr. MOSES. Yes, sir.

Mr. MARCHMAN. Yes.

Mr. SHAYS. OK. That's something you have allowed and you have decided. Why did they have to come to you to get your approval, Mr. Moses, on this?

Mr. MOSES. To get my approval on what?

Mr. SHAYS. On going to Puerto Rico?

Mr. MOSES. They didn't come to me to get my approval.

Mr. SHAYS. What did they come to get, then?

Mr. MOSES. No one came to me to get my approval to go to Puerto Rico.

Mr. SHAYS. I'm sorry?

Mr. MOSES. No one came to me to get my approval to go to Puerto Rico. What had happened is, Ms. Maxine Green called me and said that some housing groups had begun to ask their local field offices from HUD whether or not they could go on this trip, and they wanted some guidance.

Mr. SHAYS. So you gave them guidance?

Mr. MOSES. Yes.

Mr. SHAYS. Why would you give them guidance?

Mr. MOSES. Because we needed to make sure that it was clear what HUD's position on these types of programs is.

Mr. SHAYS. I thought HUD didn't have a position. I thought—Mr. Marchman, you're in charge, you don't want to weigh in at all. You don't want to say yes or no. This is up to the tenants; they decide.

Mr. MARCHMAN. That's true. We don't want to weigh in to the extent that we become a burden for the particular resident group. We would like them to exercise their judgment.

Mr. SHAYS. Why wouldn't you give them guidance, Mr. Marchman?

Mr. MARCHMAN. I believe that Mr. Moses was.

Mr. SHAYS. I want to know you, because you are the person in charge of this program, and you're the reason why we're going to have more hearings on this, because of your attitude about this. I think the flyer is obscene. I think this Department should have said, "This flyer is not acceptable. We give them guidance, and we will tell them next time not to do it." But you don't even seem to be willing to do that.

Mr. MARCHMAN. I'm sorry. I was not asked about whether or not I approved the flyer. And if my attitude is such, I apologize for that. What I'm trying to do is to present the facts as I know them. We did not see the flyer beforehand.

Mr. SHAYS. I understand that. And so I don't blame you for this trip; I just want to know your attitude about it. Is this the right kind of flyer to have? Let's start with basic stuff.

Mr. MARCHMAN. I appreciate that. No, it is not the right flyer to have.

Mr. SHAYS. If they had asked for your guidance, would you have—if you had heard about it, would you have been willing to weigh in and say, "I don't think that's the way you should present this program"?

Mr. MARCHMAN. I would.

Mr. SHAYS. OK. I find that comforting, and I don't mean that in a sarcastic way. What I am troubled by is that, this flyer basically didn't promote work; it basically promoted a good time. And they said, "By the way, we'll try to squeeze the work in," and it was a one-sentence phrase. I think that is misleading for the tenants. I think that's wrong. I think it makes tenants feel that basically they are going to come for a vacation and, by the way, you're going to get some work done. And I want to know that my Department, my HUD, is going to weigh in on that.

Does HUD have the ability, Mr. Moses, to tell local housing authorities what they think is appropriate or not appropriate?

Mr. MOSES. Yes, sir.

Mr. SHAYS. OK. What's the difference between giving guidance to a housing authority and not giving guidance to the tenant association?

Mr. MOSES. We do give guidance to both.

Mr. SHAYS. OK.

Mr. MOSES. As a matter of fact, sir, basically we run this program in accordance with rules and regulations that are established by the Department. And those rules and regulations outline eligible

activities, eligible expense items. Those are guidances that we provide.

Mr. SHAYS. OK. And you tell them that certain things are allowed and certain things are not allowed.

Mr. MOSES. Yes, sir.

Mr. SHAYS. I mean, it would make sense. These are, in many cases, people who may not have advanced degrees, who may not have gone on organized trips like this. There could be a whole host of reasons why you would want to weigh in and give guidance.

Mr. MOSES. But we did, sir.

Mr. SHAYS. I'm getting the impression from Mr. Marchman that this is hands-off, it's up to them, and we don't want to weigh in. I'm getting conflicting messages.

Mr. MOSES. I ran the program, sir. Let me basically say what.

Mr. SHAYS. OK.

Mr. MOSES. No, sir, we did give guidance. As I spoke to Mr. Martini, what we basically do is, we look at the type of programs that they are proposing to do, and then we weigh in on whether it is an eligible expense item or not. And what we do then is, we send out guidance to the housing authorities, to the resident groups, to anybody else, and say, "This is an eligible expense item," because they are going to be doing certain things. That's basically the way we cover it.

Mr. SHAYS. Let me just ask you this. I'm looking at the Federal Register, Volume 60, No. 9, on Wednesday, March 1, and it talks about ineligible activities. "Ineligible items or activities include but are not limited to the following: entertainment, including associated costs such as food and beverages, except normal per diem for meals related to travel." How do you interpret that?

Mr. MOSES. Basically, what it means is that you cannot use these moneys for entertainment purposes; it has to be something that is directly associated with either training or doing a program or undertaking some type of activity that supports and promotes the effort of the Tenant Opportunity Program.

Mr. SHAYS. I don't see it in the law. I see it in the regulation. I want to know, are you enforcing this?

Mr. MOSES. Yes, sir.

Mr. SHAYS. OK. So the individuals who went down totally paid separately for any entertainment?

Mr. MOSES. Yes, sir.

Mr. SHAYS. None of HUD money was used for entertainment?

Mr. MOSES. None that we know of, sir. What we basically give moneys for, we allow moneys for lodging. The lodging per diem for this event was up to a maximum of \$130 a day. And we allow moneys for food, which is \$26 a day. At \$26 a day, you can't even eat at McDonald's, sir, to try to take care of yourself. There was no money for partying. There was no money for entertainment.

Mr. SHAYS. OK. And it's your testimony that no money was used?

Mr. MOSES. To my knowledge. No, sir, to my knowledge, no HUD moneys were used for entertainment.

Mr. SHAYS. OK.

Ms. Gaffney, I'm just going to ask you that question, and then I'm going to yield.

Ms. GAFFNEY. I don't know the answer at this point.

Mr. SHAYS. OK. Would it be illegal for this money to be used for entertainment?

Ms. GAFFNEY. Yes.

Mr. MOSES. Yes, it would.

Mr. SHAYS. OK. And if you paid for a hotel that gave entertainment, then how is that viewed? In other words, when you buy a package, would it have been cheaper—and this is the question I'm going to ask you to report on. I want to know that HUD is looking into this.

Mr. MOSES. If I may, sir, it was cheaper—the per diem rate for Puerto Rico is \$130 a day for lodging. The amount that NTO negotiated with the hotel to do this event was \$119.50. The government actually saved money on this trip.

Mr. SHAYS. Now, don't get carried away, Mr. Moses.

Mr. MOSES. The eligible expense item was up to \$130; they only spent \$119.

Mr. SHAYS. Now, let me just ask this one other question.

Mr. MOSES. And they used it to sleep, sir, not to party.

Mr. SHAYS. OK. Where do the housing authorities get the authority to send tenants?

Mr. MOSES. Basically, the housing authority has moneys at its disposal to support tenant services activities.

Mr. SHAYS. Trips?

Mr. MOSES. Training, conferences, trips. It is one of their budgetary line items. Every housing authority has it.

Mr. SHAYS. So, in addition to this money under the TOP Program, we also have other money that goes into TOP.

Mr. MOSES. Yes, we have other moneys to go into resident empowerment programs, not just to go into TOP.

Mr. SHAYS. Thank you.

Gentlemen, do you have any comments or questions?

Mr. Fattah.

Mr. FATTAH. Thank you, Mr. Chairman. I would ask the Chair's permission to submit into the record a document that my staff is having sent over.

Mr. SHAYS. Sure.

[The information referred to follows:]



OFFICE OF SECRETARY, NAVY
1300 NAVY PENTAGON
WASHINGTON DC 20380-1300

IN REPLY REFER TO

24 October 1995

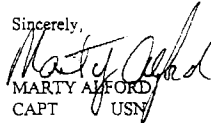
Dear Chief of Staff/Administrative Assistant,

The Secretary of the Navy cordially invites you on an orientation visit to the Navy's premier bases in Hawaii. This unique trip will include a variety of short underway periods, briefings, and tours designed to give an intense overview of naval operations. Highlights will include an underway embark on a fast attack submarine, a tour of the USS Paul Hamilton (DDG-60), one of the newest Aegis destroyers, briefings with Navy SEALs and Marine Corps units in the area, and a tour of Pearl Harbor with a visit to the USS Arizona memorial.

The trip will depart on Friday, 17 November (approximately 0730 from the Rayburn Horseshoe) and will return on Wednesday, 22 November (mid morning return).

This should be both an informative and enjoyable trip. Due to personnel restrictions regarding the submarine embark, there is only space for ten COS/AAs, so please let us know as soon as possible if you will be able to attend. Please contact LT Patrick Huere to sign up for this trip at 5-7124, ext 29#.

Sincerely,


MARTY ALFORD
CAPT USN

**SAN JUAN-PUERTO RICO
CONVENTION BUREAU**



**CONVENTION UPDATE
OCTOBER 1995**

255 RECINTO SUR
OLD SAN JUAN, PR 00901
Telephone: 809-725-2110 Fax: 809-725-2133

MONTH: NOVEMBER 1995

Radisson Ambassador
Radisson Normandie
El San Juan Hotel
Sands Hotel
Westin Hotel

2

SAN JUAN-PUERTO RICO CONVENTION BUREAU
CONVENTION UPDATE

MONTH: JANUARY 1996							TELEPHONE	FAX NUMBER
GROUP	DATES	HOTEL	ATT	CONTACT PERSON	ADDRESS			
SOCIETY OF NUCLEAR MEDICINE	JAN 8-17	CH	250	Lauren Kramer Director, Meetings	1850 Samuel Morse Dr. Reston, VA 22090		703-706-9000	703-708-9015
	JAN 10-15	CQ	100	Julie Greenway V.P. Administration	2001 Pennsylvania Ave. Ste. 600 Washington, DC 20006		202-486-5460	202-298-3184
AMERICAN COLLEGE OF NUCLEAR PHYSICIANS	JAN 12-21	CH	200	Heley Johnson Meetings Coord.	Suite 700, 1101 Connecticut Ave., Washington, DC 20036		202-857-1135	
KOBIN ENTERPRISES	JAN 17-23	CQ	334	Merlin Rosenbaum Promotions Assoc.	250 E. 87th Street, Suite 25 H New York, NY 10128		212-887-3738	
JWA NORTH AMERICA	JAN 18-22	HC	10	Susan Kulpar Key Acct. Mgr.	1328 Willow Road Syltewant, WI 53177		414-884-1573	414-884-1773
THE FRONTIER GROUP	JAN 19-21	CP	180	Monica Mann	385 Buell Road Rochester, NY 14624		800-482-9461	718-438-1701
MONTH: FEBRUARY 1996							TELEPHONE	FAX NUMBER
GROUP	DATES	HOTEL	ATT	CONTACT PERSON	ADDRESS			
	FEB 2-15	CP	138	Nicole Scott Special Services Mgr	500 West Annandale Rd. Falls Church, VA 22046-4274		703-237-8344	703-534-4787
NATIONAL TECH. SERV. ASSN.	FEB 3-11	PM	80	Jana Latta Meeting Planner	325 S. Patrick Street Alexandria, VA 22314		703-884-4722	
OUTDOOR POWER EQUIP INST.	FEB 3-7	HD	35	Lori Baker Asst. to the Pres.	341 S. Patrick St. Alexandria, VA 22314		703-540-7600	703-540-7604
NATIONAL BROILER COUNCIL	FEB 9-15	CQ	130	Maigle Ernst Asst. to the Pres.	1155 15th St., Suite 614 Washington, DC 20052		202-286-2622	202-283-4005
	FEB 14-18	CQ	118	Wendy O'Brien Conf. & Meeting Mgr	Provident Bldg., 1800 Market St. Philadelphia, PA 19103		215-438-5853	
CL Canelo Lagoon CB Candido Beach CP Candido Plaza CH Carline Hilton	CQ City Wide HC Hyatt Caromar HD Hyatt Dorado	HI MA MH PM	Holiday Inn Crown Plaza SJ Meridit Meyagaoe Hilton Palmas del Mar	RA BN SJ SH WR	Radisson Ambassador Radisson Normandie El San Juan Hotel Santo Hotel Wedin Hotel			

MONTH: FEBRUARY 1996

**Raffles Ambassador
Raffles Normandie
El San Juan Hotel
Sarda Hotel
Westin Hotel**

MONTH: MAY 1996				CONTACT PERSON		ADDRESS		TELEPHONE		FAX NUMBER	
GROUP	DATES	HOTEL	ATT	NAME	ADDRESS	TELEPHONE	FAX NUMBER				
METAL DECOR	MAY 5-13	HC	30	Charles Patterson Sr. Vice Pres. Sales	2731 North Dixieen Parkway Springfield, IL 62102	217-523-4565	217-753-5602				
AMERICAN COLLEGE OF RHEUMATOLOGY	MAY 17-19	MA	300	Ron Olejko Meeting Planner	60 Executive Park S. Atlanta, GA 30329	404-639-3777					
PRUDENTIAL INSURANCE	MAY 19-JUN 6	CO	750	Joanna Gandolpho Mgt. Conf. & Travel Serv.	12th Floor, 213 Washington St. Newark, NJ 07102-2692	201-402-7077					
HEALTH CARE CONSULTING INT'L	MAY 21-26	CP	250	Jordan Todd Rice President	140 New Haven Dr. Athens, GA 30604	708-548-5580	708-353-7946				
	MAY 28-JUN 2	PM	15	Daniel S. Baker National Sales Mgt.	8800 West Bryn Mawr Ave. Ste. 540, Chicago, IL 60631	312-366-4030					
MONTH: JUNE 1996											
GROUP	DATES	HOTEL	ATT	CONTACT PERSON	ADDRESS	TELEPHONE	FAX NUMBER				
NATIONAL FEDERATION OF DEMOCRATIC WOMEN	JUN 5-9	MA	300	Ana Millan Member	Calie Florida 420, Sabana Llena Rio Piedras, PR 00923	721-9040	722-8011				
CONSEL INT'L DES ORGANIZ. DE FESTIVALS DE FOLKLORE & D'ART	SEPT25-OCT5	MA	150	Estela Ortiz Coordinator	Francisco Sein #401, Apt #5 Floral Park, Rio Piedras, PR 00927	787-3604	787-3604				
MONTH: OCTOBER 1996											
GROUP	DATES	HOTEL	ATT	CONTACT PERSON	ADDRESS	TELEPHONE	FAX NUMBER				
AMERICAN ACADEMY OF PSYCHIATRY AND THE LAW	OCT 13-20	CH	500	Dr. Jeffrey Weizner Chairman	3300 East, 1st Ave., Suite 590 Denver, CO 80208	303-355-6842					
AMERICAN BAR ASSN.	OCT 16-23	SJ	200	Jarica L. Mandis Meetings Manager	750 North Lake Shore Drive Chicago, IL 60619	312-966-5587	312-968-5886				
PHI DELTA KAPPA	OCT 23-27	SH	350	George Kersey Assoc. Exec. Dir.	408 North Union Bloomington, IN 47403	812-339-1156					
CL	Carrizo Lagoon	CQ		El Conquistador	RA						
C8	Candelo Beach	CW		City Wilds	RA						
CP	Candelo Plaza	HC		Hyatt Centmar	RN						
CH	Caribe Hilton	HD		Hyatt Dorado	SH						
					WPR						

SAN JUAN-PUERTO RICO CONVENTION BUREAU
CONVENTION UPDATE

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MONTH: NOVEMBER 1996				TELEPHONE FAX NUMBER	
GROUP	DATES	HOTEL	ATT	CONTACT PERSON	ADDRESS
	NOV 11-16	CQ	150	Arw L. Kleiman Asst. Dir. Mgt. Plann.	750 N. Lake Shore Drive Chicago, IL 60611
SUNSET LIFE	NOV 11-16	CQ	50	Scott Shoengarth Asst VP/Mktg Dir	3200 Capital Blvd S Olympia, WA 98501
AMER. ACADEMY OF PEDIATRICS	NOV 13-16	WR	250	Lynette Madsen Mng. Meet. Services	141 NW Point Blvd., PO Box 927 Elk Grove Village, IL 60009-0927
MANAGEMENT PERFORMANCE GROUP	NOV 18-21	CQ	22	Martha Church	8800 Roswell Road, Suite 100 Atlanta, GA 30350
MONTH: JANUARY 1997				TELEPHONE FAX NUMBER	
GROUP	DATES	HOTEL	ATT	CONTACT PERSON	ADDRESS
SOCIETY OF MEDICAL ADMINISTS.	JAN 11-15	WR	60	Nancy Siegal Mgr. Adm. Serv.	1400 16th St., N.W., Suite 410 Washington, DC 20036
	JAN 19-23	WR	45	Larry Tolbert Field Represent.	1099 East Woodfield Rd., Ste. 503 Schaumburg, IL 60173
COLONIAL LIFE & ACCIDENT INS CO	JAN 27-30	HC	200	Kathy Ludwig Mtg & Trav Serv Adm	1200 Colonial Life Blvd. Columbia, SC 29210
MONTH: APRIL 1997				TELEPHONE FAX NUMBER	
GROUP	DATES	HOTEL	ATT	CONTACT PERSON	ADDRESS
AMER. LAND TITLE ASSOCIATION	APR 11-16	HC	800	Leigh Vogelsong Dir. Meet. & Conf.	1828 L Street NW Washington, DC 20036-5102
NAT'L PAPERBOX & PACKING ASSN.	APR 13-21	CQ	300	R. Mickey Gorman President	Suite 203, 1201 East Abingdon Dr. Alexandria, VA 22314
C.L. Canario Lagoon	CQ	El Compuador		HI Holiday Inn Crowne Plaza	RA Radisson Ambassador
CB Condeado Beach	CW	City White	MA	SI Marriott	RA Radisson Normandie
CP Condeado Plaza	HC	Hyatt Centomar	MI	Mayaguez Hilton	SI El San Juan Hotel
CH Carlos Hilton	HD	Hyatt Dorado	PR	Palmas del Mar	SH Sands Hotel
					WH Wrenn Hotel

SAN JUAN-PUERTO RICO CONVENTION BUREAU
CONVENTION UPDATE

MONTH: MAY 1997									
AMER. ACAD. COSMETIC DENTISTRY	MAY 30-JUN 7	CQ	1760	Brenda Jessen Mgt. Meeting Serv.	270 Corporate Drive Madison, WI 53705	808-241-5857	808-241-7709		
GROUP	DATES	HOTEL	ATT	CONTACT PERSON	ADDRESS	TELEPHONE	FAX NUMBER		
WORLDWIDE PURE DOG BRED COMPETITION	JUN 7-17	MA	1000	Referee De Santiago	Imagen Optima, P.O. Box 8032 San Juan, PR 00908-8032	808-722-4040	808-724-1430		
MONTH: JUNE 1997									
GROUP	DATES	HOTEL	ATT	CONTACT PERSON	ADDRESS	TELEPHONE	FAX NUMBER		
NATL' LEAGUE OF POSTMASTERS	AUG 11-25	CQ	1000	Armando Olivas National President	1023 North Royal St. Alexandria, VA 22314	703-548-5922			
MONTH: AUGUST 1997									
GROUP	DATES	HOTEL	ATT	CONTACT PERSON	ADDRESS	TELEPHONE	FAX NUMBER		
AMERICAN COLLEGE OF PSYCHIATRISTS	FEB 15-23	WR	850	Alice Conde	732 Addison Street, Suite B Berkeley, CA 94710	307-345-3554	301-474-0211		
MONTH: FEBRUARY 1998									
GROUP	DATES	HOTEL	ATT	CONTACT PERSON	ADDRESS	TELEPHONE	FAX NUMBER		
NATL ASSN OF SURETY BOND PROD	APR 19-22	HC/HD	850	Robert Johnston Dir. Member Serv.	Suite 450, 5301 Wisconsin Ave NW Washington, DC 20015	202-886-3700			
MONTH: JULY 1998									
GROUP	DATES	HOTEL	ATT	CONTACT PERSON	ADDRESS	TELEPHONE	FAX NUMBER		
INTL ASSN PERSONNEL IN EMPLOYMENT SECURITY	JUL 1-13	CH	1000	Michael Stone Executive Director	801 Louisville Rd, Frankfort, Ky 40601	502-223-4458	na		
MONTH: SEPTEMBER 1999									
GROUP	DATES	HOTEL	ATT	CONTACT PERSON	ADDRESS	TELEPHONE	FAX NUMBER		
CONFERENCIA INTERAMERICANA DE CONTABILIDAD	SEPT	TBD	1500	Juan A. Flores Senior Manager	1600 Banco Popular Center San Juan, PR 00918	809-756-8020			
CL	CQ	El Conquistador	HJ	Holiday Inn Crownes Plaza	NA	Radisson Ambassador			
C3	CW	City Walk	IA	SJ Marriott	RN	Radisson Normandie			
CP	HC	Wynd Cammar	MA	Marriott Hilton	SJ	El San Juan Hotel			
CH	HD	Hyatt Donato	PM	Palmas del Mar	SH	Santa Hotel			
					WR	Wealth Hotel			

TOTAL P. 87

Mr. FATTAH. It outlines, right on this point about tax-supported trips, a trip that is now being organized by the Department of Defense, the Navy, for our chiefs of staff from the Hill to go on a trip to Hawaii, which is also part of the United States of America, to look at a number of naval installations.

I think the document will help us, as we search through, to try to, you know, root out this type of problem. Because we have a number of tax-supported entities in the Federal Government, not just HUD, that pay for travel for purposes of training, observation.

The thrust of this trip is that it will be helpful for my chief of staff and for others, especially new members, I guess, in order to more fully appreciate our national defense capabilities, to be able to see these things and to enjoy themselves in such a way, in terms of traveling to Hawaii. It seems like a very exciting trip to me.

I would not want us to be selective in our criticism of this type of practice. If we find it unacceptable to use moneys for people to travel for purposes of better informing themselves so that they can carry out what we think is important public interest work—and I think tenant empowerment has been and continues to be part of what the Congress wants HUD to focus on.

I want to go, on that point, to the Inspector General. You said that—and you stated it twice, I think, to the chairman—that there are other examples of this type of activity that are prevalent, and you think that the committee's work, not to singularly focus on this, but to deal with this as a general matter, would, in fact, be helpful, because you think that the public's perceptions of the Government would improve by it.

I want you to expound on these other examples, if you will, because I've heard you say it twice, even though no one else has responded to it at this point. I would like to invite you to have a chance to do that.

Ms. GAFFNEY. I'm not aware of any current examples, but I am aware of examples over the years—I've worked for the Federal Government for quite a long time. Professional organizations, for instance, within the Federal Government often have conferences at attractive locations, resort hotels. They have brochures that invite the participants to bring their spouses. They have activities for the spouses.

It conveys a message of, "Let's have fun with Federal funds." It's a very, very negative thing for anyone to be doing, certainly in these times of distrust about the Federal Government and how we're using money.

Mr. FATTAH. You don't think, if someone is traveling on a business trip, that encouraging them to bring their spouse or family members along is a good thing; is that your point? If they pay for it privately, do you have a problem with that?

Ms. GAFFNEY. Yes. I think that our focus in the Federal Government should be on getting business done.

Mr. FATTAH. Getting business done. OK.

Ms. GAFFNEY. And that is the tone, that serious kind of tone is what the taxpayers expect from us. I think perception is as important as substance. And I think—we have to just shine with integrity.

Mr. FATTAH. So you've seen plenty of examples of professional organizations associated with the Government holding conferences which you described to be at resort locations, over the years.

I would just hope, as the committee starts this serious inquiry into this particular activity, that we would take as seriously—I would assume a tax dollar given to a tenant group is just as important as a tax dollar given to the Defense Department or to any other Department. Therefore, it if was wasted on these kinds of trips, we should be just as excited about—and “exercised,” to use the chairman’s word—about getting at this and rooting this out, if it is a problem.

Because, see, now the question becomes, is it really a problem? And that’s really a judgment call, I guess, because the Congress itself has had a great deal of criticism over the years about what are called “junkets,” in which Members of Congress who, I guess, on our best days, are trying to better inform ourselves about a variety of activities, but we do this at the Government’s expense.

In fact, given our family friendly nature these days, I would assume we would want family members to travel and to participate. I saw the Speaker take his wife to the Rabin funeral the other day. Because it’s important to try to keep families together in these stressful times. And all the time that we work here, it’s more difficult to spend time with one’s family.

So I want to thank you for your contribution, and I will yield back the remainder of my time, Mr. Chairman.

Mr. SHAYS. Thank you. And in response to the gentleman, we have oversight over HUD, Veterans Affairs, HHS, Education, and Labor. I would be very happy to look at this and ask the staff to look at, you know, how we utilize travel for all.

Ms. Gaffney, I would just say to you that I’m not troubled that a spouse went on this trip, if they paid for it themselves. I truly am not. And I believe that there should be times for tenant organizations to get together. And I just want to weigh in on this. I have no objection with your holding that view, and you may be right.

But I would be willing, if the gentleman is aware of any examples in agencies that we have oversight of, to have a hearing that discusses the different trips allowed by the departments.

Mr. JANIS. Mr. Chairman, if I might.

Mr. SHAYS. Yes, Mr. Janis.

Mr. JANIS. As a point of clarification, the TOP grantees, as well as any of the other grantees, must comply with the OMB Circular 110 on travel requirements, which is applied to Federal Government employees and Federal grantees. So it is the same circular that covers all of the Federal Government and all of the grantees of the Government. It’s systemwide, similar.

Mr. FATTAH. Mr. Chairman.

Mr. SHAYS. Yes.

Mr. FATTAH. I just got here, so this is a little bit new to me. I spent a lot of time in State governments. My colleagues, particularly on the other side, think that State governments are great entities and they don’t waste any money. As part of the Council of State Governments, as part of the National Conference of State Legislators, a whole host of groups have held conventions in Puerto Rico and in these other locations.

So it's amazing to me that we would find it somehow problematic that tenants would meet. And it's not abnormal, given conference planning, if you want people to attend your conference, to try to pick locations which people—people come to Philadelphia because of our historic sites. People travel to a variety of different locations. I remember being in Hartford for the National Conference of Black State Legislators. We had a wonderful time, Mr. Chairman, years ago.

So we travel to a variety of different places for a variety of different reasons, and all of the time we're using taxpayer paid for dollars, I mean, to travel, to pay for our lodging. The regulation against entertainment is a clear one that's used in State governments, used in city government. It's not an abnormal requirement. But the lodging and the meal reimbursement basically is so small that I don't think you could squeeze out of it a lot of dollars for casino gambling or anything like that.

I just don't want us, first of all, to create a practice and a pattern where we're saying that attractive locations in our own country, be they Florida, or Hawaii, or Puerto Rico, or the Virgin Islands, or Philadelphia, or any of these other places, are not reasonable locations for meetings or New Jersey, for that matter. I see that Governor Whitman is doing a lot in terms of trying to attract conventions there, built a new convention center in Atlantic City. There are casinos right down the street. And they want people to come and meet there because it's good for the economy.

I would not want us to create the wrong impression on this, in terms of trying to filter out the waste that may be there.

Thank you, Mr. Chairman.

Mr. SHAYS. The gentleman makes some very good points. Let me just clarify one point with you, Mr. Janis. All different departments have to basically respond to the same rules and regulations; is that correct?

Mr. JANIS. Sure.

Mr. SHAYS. Now, if you have a housing authority or a tenant organization using Federal dollars, you're going to give more than guidance, aren't you? You're going to say yes or no, these are approved funds or not approved—I mean, approved use or not. I mean, the kind of laissez-faire attitude that I was hearing from Mr. Marchman is not really acceptable. You have to decide whether or not these are approved funds.

Let me ask you this, Mr. Moses.

Mr. JANIS. The OMB Circular A-110, the guidelines, as well as in the Code of Federal Regulations, on the section of Tenant Opportunity Program, it talks about resident training. So there are requirements that set out what is approved and acceptable training.

Mr. SHAYS. Right.

Mr. JANIS. But, as has been said before, Mr. Chairman, what is not in the guidelines or regulations is the selection of where another organization holds a convention, that's not part of the guidelines.

Mr. SHAYS. I hear what you're saying. Whether it's in Puerto Rico or somewhere else, all I am saying to you is that the use of Federal dollars has got to be approved by HUD, and it is not that we don't have a role in this decision.

Mr. Moses, you give more than guidance. You say whether this is acceptable or not; is that true?

Mr. MOSES. I do say so, and I did. I did it in writing.

Mr. SHAYS. OK. I'm just going to change the word guidance, because you wanted to use the word guidance. It is not guidance; it is really whether you approve these funds or not approve these funds.

Mr. MOSES. The way in which this agency does business, it offers guidance; that is the official term. We send out guidance on our rules and regulations. That is what we do; we send out guidance.

Mr. SHAYS. OK. We're going to finish up with this panel and then come back with the next panel.

You wanted to just pursue a point.

Mr. MARTINI. Just in closing, I think part of the real problem here is that I've attended conventions, both when I was in the private sector, not yet in the public sector, but usually there would be a detailed agenda about the substance of the convention, and obviously this flyer doesn't come anywhere close to that. So certainly on the perception issue, we've all lost out on this. That's No. 1. And the taxpayers, if they see this, get rightfully disturbed with the Federal Government spending and HUD and us and everybody. So that's clearly the case here.

Then I think the other issue is oversight by HUD and how you set up some controls over that, both on this area—and I suspect, Mr. Moses, quite candidly, that the need for your letter of June 27 was because there probably might have been some inquiry by some tenant organizations about, is this OK to go to Puerto Rico?

Mr. MOSES. Yes.

Mr. MARTINI. So that should have alerted you, I think, No. 1, to have exercised your judgment maybe more prudently, but at least have better documented how they were going to be promoting this meeting, so that you and us and all of the taxpayers would have at least been assured that this was a substantive meeting and not, as it was projected, a vacation.

Mr. MOSES. Sir, I concur with you wholeheartedly. What we did was, we looked at the substance of the training session, and we approved the substance of the training session. We do not get involved in a flyer. We don't deal with a flyer.

Mr. MARTINI. Well, I think, if there's a lesson to be learned—I don't mean to—excuse me.

Mr. MOSES. If I might finish sir, we do not get involved with a flyer. We had no knowledge of the flyer. As a matter of fact, as I stated previously, the only way we knew about the flyer was when your honorable councilman faxed it to me. So we had no idea of the flyer.

Mr. MARTINI. And I accept that.

Mr. MOSES. There were some inquiries about whether or not—and, again, the concerns that were coming out were whether or not people could go to Puerto Rico. It had nothing to do with whether or not the content of the conference was appropriate, but whether or not they could spend money to go to Puerto Rico.

Mr. MARTINI. To a certain extent, that should have sent a little red flag that, in that situation, perhaps you would have been better served, and HUD would have been better served, had you made

sure that the way in which this program was being presented was more substantive than the flyer that we have on hand.

And then, finally—because I know there are other people here, and we have a vote—finally, I'm also concerned with respect to the other part of my opening comments or first line of questioning. Obviously, you've answered my question about TOP not being permitted to use funds for lobbying. And if you read the letter of June 20, which I would also like to make part of the record, it's very clear that they are priding themselves in their virtue of our history of advocacy.

And I suspect your answer to me would be, on this, too, you have no real oversight as to how often it occurs that these tenant organizations are using funds for advocacy and lobbying. And under the rules and the laws, they are not permitted to do that.

Mr. MOSES. I want to state for the record, that is a National Tenants Organization letter; it is not a letter from HUD. In all of our letters, we basically say that you cannot use the funds for lobbying purposes. The guidance was on whether or not they could attend the training session.

We do not deal with freedom of speech. We do not deal with anything else of an entity that does not have a contract with us. We are not supporting this event. The only thing we said is that the training sessions that they were offering are an eligible activity to go to and to seek out information on. We do not sanction the letters that they send out, neither do we sanction or are involved with the flyers that they send out.

Mr. MARTINI. Arguably, you could extend it, though, that if we're funding people from TOP to attend a convention which has a lobbying emphasis, there may be an area there worth looking into.

Mr. MOSES. We are very specific that you cannot use these funds to lobby. We are extremely specific about that.

Mr. SHAYS. If I could, I would like to thank our four witnesses for coming, and I yield to my colleague.

Mr. TOWNS. I would also like to join you, Mr. Chairman, in thanking the witnesses for coming, and to say that I sort of look at this a little different, I think, from some of my colleagues. I think that the flyer was a marketing tool. I think that marketing is something that we are all involved in from time to time.

And I think that we should also say, I think that it was good judgment, because they went to the second largest housing authority, and I think that's very, very important. Being they couldn't come to New York; they went to Puerto Rico.

I yield back, Mr. Chairman.

Mr. SHAYS. The committee is in recess.

[Recess.]

Mr. SHAYS. This hearing will come to order.

I would like to invite Ms. Bertha Gilkey, chairperson, Cochran Gardens Tenant Management Association, president of Urban Women, Inc., and also president of the National Tenants Union.

That's not the same as the Tenants Organization?

Ms. GILKEY. No. No, sir. I'm not a member of that organization.

Mr. SHAYS. Ms. Gilkey, if you would not mind standing up, please, we need to swear you in as a witness, and if you would raise your right hand. Thank you very much.

[Witness sworn.]

Mr. SHAYS. Thank you very much.

For the record, the witness has responded in the affirmative.

We have only one witness, so it might not take us as long. But you are more than welcome to give your statement. I would just remind you that, if you have a written statement, that the written statement will, in fact, be inserted in the record, if you want to summarize it.

Ms. GILKEY. Yes, sir.

Mr. SHAYS. OK. Thank you.

STATEMENT OF BERTHA GILKEY, CHAIRPERSON, COCHRAN GARDENS TENANT MANAGEMENT ASSOCIATION, PRESIDENT, URBAN WOMEN, INC., CONSULTANT, 1230 NORTH BURLING, AND PRESIDENT, NATIONAL TENANTS UNION

Ms. GILKEY. Good morning.

Mr. SHAYS. Good afternoon.

Ms. GILKEY. Good afternoon. Indeed, it's an honor to be before this prestigious committee to give testimony. Let me first start off by—I have submitted 100 copies of my testimony to your office, to be distributed amongst all of the other committee members. I'm not going to read my testimony; I want to summarize my testimony today.

I come to you today, not only as a national public housing leader, but also as a mother and a child who grew up in public housing, and who has raised two children of my own in Cochran Gardens. And my mother was the mother of 15 children who have grown up in Cochran Gardens, which is in the city of St. Louis.

My mother, initially, Mr. Chairman and distinguished committee members, came from the South, as many blacks did. My grandfather was a sharecropper who truly believed that, if one worked hard in this country, one would achieve the 40 acres and a mule. Many blacks in this country realize that that was a myth, that no matter how hard one worked, the 40 acres and a mule was not attainable.

And much of it was because of the lack of skills, the inability to count, just basically count the cotton that they picked, to determine if they were making money or losing money. They didn't have those skills because they couldn't read or write. So my grandfather, as many blacks, left the South and went North.

My mother moved to St. Louis and moved into a very bad tenement area, downtown St. Louis. The tenement area was so bad there were dirt floors. There was no lighting at all. We would get our water from the fire hydrant, because there was no water, not even cold water, in the particular apartment my mother lived in. However, the unit was immaculate.

During that time was when Dr. Martin Luther King was moving for the equal rights and civil rights amendment that would give equal access to housing and jobs and education throughout the Nation, for all groups and genders in America. Because where my mother lived was at that time a tenement area, yet it was prime land, much as public housing is today. And the city was going through what they called "urban renewal"; we called it "poor folks removal."

And my mother lived right next door to a large public housing site which was called Cochran Gardens. Cochran Gardens was 894 units of high rise. Back in those days, Mr. Chairman, it was all white, because public housing was segregated in this country. There were no black families living there. We lived in the tenement area.

Because the city wanted the land that my mother lived on and the owner of the land was willing to sell it to the city, President Kennedy, at that time, made a part of the urban renewal program, he attached the relocation of the low-income families who lived in the vicinity of that public housing site. So my mother got an opportunity to move into Cochran because of the land that the city wanted to redevelop into hotels, into convention centers, into malls. My mother moved into Cochran.

Cochran Gardens was a beautiful place to live. I grew up in a very integrated public housing site. I grew up in a public housing site where 97 percent of the heads of household were men, not women, as it is today. You see, I grew up in public housing when you had to be somebody, and it didn't have the negative connotations that it has today.

The same buildings are still there, Mr. Chairman. The buildings haven't changed, 47, 50 years later; the same windows are still there. Basic characteristics of the development are still there. What changed? I'm going to tell you what changed. That's why I'm here this morning.

What changed was the behavior, the management, the operation of public housing. When public housing was initially managed by the authority, it was managed as a business. The housing authority managed public housing as a business. They had working families living there as well as low-income families living there. And they collected rents well. They did maintenance well. There was no backup work orders. Preventive maintenance was done.

They would come to my mother's house, as well as every other resident, and they did an annual inspection. That means they checked everything; your housekeeping had to be immaculate. My mother had 15 children. We had concrete floors, but they were immaculate. You could eat off the floors. The hallways, we were responsible, the residents that lived there, we had a day that we had to mop, wax, and clean that hallway. If you didn't, you got a fine.

Mr. SHAYS. You got a fine?

Ms. GILKEY. You got a fine. You were fined if you didn't do it. After three fines, you were evicted.

The lawn was well maintained, all the time. Residents, we were screened. My mother had to be screened to move into Cochran. They did not just allow public housing to be a dumping ground for people who nobody else wanted so they dumped them into public housing because of the cuts that the Federal Government was taking. So we're going to just put them all in public housing. They didn't do that, Mr. Chairman, back in the days when my mother moved there or prior to blacks or Hispanics integrating public housing in this country. There were real rules, and they were enforced.

As public housing—and this is my assessment—became more and more black, female heads of household, Hispanic, the services

began to go; they began to disappear. And first it was very subtle, like the housing authority stopped cutting grass. OK. They stopped reseeding. They stopped trimming the trees.

Many things that many of us wouldn't even think were important, but white families who lived there, who had lived in the good days in Cochran, saw this as a retreat from the housing authority's initial management practices, because they had lived there where every year the grounds were seeded. Every year the trees were trimmed. All of these things were kept up. So when they saw those things being taken away, they began to move, Mr. Chairman, in huge numbers, huge numbers.

By 1966, around 1964, 1965, 1966, public housing was a jungle. Even working black families refused to stay there. The services became withdrawn. The maintenance was eliminated. The screening was stopped, Mr. Chairman. The laundry facilities were closed. Cochran was so safe when my mother moved there, we could sleep on the porch, because we have little patios. I lived in a 12-story high rise. You could sleep on the patios; it was just that safe. We could leave our toys downstairs; it was just that safe.

And they had 884 units. So when we talk about the density, we had a huge density, because every unit was occupied. My mother had 15 children. The lady next door to us had 11. Because birth control was not practiced rampantly, as it is today. The pill was not there then. Yet the community was safe; it was well-managed.

So what's the problem? The problem was the entity that managed the property, which was the housing authority. They reduced the quality of the management standards. For one group of people the standards were one way. When the class of people changed, the management practices changed. Even though, Mr. Chairman, by now it was 1970, the housing authority was now getting subsidy. So they were getting even money. Because back during my mother's days, there was no subsidy. The public housing site operated off of rent only.

But as the cost of living went up, wages, materials, we fought and lobbied to get subsidies for the authority. So you would assume, if you're getting more money, the services are going to improve; right? No, they didn't. The only thing that improved was the housing authority's operating budgets got bigger; they hired assistants, assistants to the assistants, the director to the director. The money did not go down on the level of providing more maintenance, putting in more windows, putting in more doors, repairing plumbing, lighting. All of the basic functions that the operating budget is supposed to do, that didn't happen.

The other things that happened, Mr. Chairman and committee members, was the people who replaced the working families that lived there did not have the kind of educational level or skills to be able to assert and make the management responsible. These were now majority women who lacked basic educational skills, who were apathetic in many ways because they had been beaten down by the welfare system. They had been beaten down by the system totally. All they wanted was somewhere to live.

They did not know how to make the authority responsible, who was responsible for their maintenance services, their security, and

all the other components that the taxpayers pay for in that \$25-billion budget a year that the housing authority has been getting.

Now, it is very important that we note the residents have not been in control of the operating budget that the housing authority has gotten or had any legal say-so until 1988. Public housing was built in 1937. So from 1937 to 1988 residents had no legal authority or role in the management, in making the housing authority a responsible entity, and making sure the taxpayers dollars did what they were supposed to do. They had no role in it at all.

In 1988, there was a bill passed, Mr. Chairman and committee members, and it was a bill that called itself the "National Resident Management Regulations," that gave tenants not only the right to own a public housing development that they had lived on for generations, three and four generations, but the right to manage it, and the right to participate in all facets, which is Comp Mod funds, the operating budget, maintenance, every facet of the housing authority, this bill gave residents the right to sit at the table and to ask legal questions on how these dollars are being spent back into their development.

Prior to 1988, from 1937 to 1988, that law did not exist. When that law went into effect, there were already, Mr. Chairman and committee members, five groups managing their property in this country. My site was one of the five. Cochran tenant management—and history will know this—was one of the worst public housing sites in the country, once all the systems were withdrawn and the housing authority stopped managing the property. Cochran was so bad, Mr. Chairman, we had 894 units, when we took over managing in 1976, only 400 units were occupied.

Mr. SHAYS. Let me do this, and I would note that have you talk-about is what the tenant associations can do and what the housing authority can do for the tenant associations, in the limited time we have. What are we doing right for the tenant associations; what are we doing wrong?

Ms. GILKEY. Yes, sir.

Mr. SHAYS. You are very eloquent, and you have given us a wonderful perspective, but I would love it if you could just focus in on that right now.

Ms. GILKEY. OK. Yes, sir.

The reason why I shared with you the history was so you would understand what the residents took over, with no skills. In order for the residents—in order to sit at this table, Mr. Chairman, as I'm doing today, they must have the skills. You cannot have the skills if you don't make available the resources.

My particular development was to be blown up in 1974. Puritt Igo was blown up, which is six blocks from Cochran, in 1973. Puritt Igo housed 13,000 residents. Had there been a TOP, a TAG to provide the technical assistance, 13,000 people would have never—women and children—lost their homes. My Congressman, Lenore Sullivan, came here and said, "Blow up Cochran."

In 1976, Mr. Chairman, a group of 10 women, my site took over managing our property, with no resources. We took it over in the hole, 400 and some vacant units. The housing authority gave us no up-front capital to take over managing this property. The local business in our community, Mr. Chairman, would go 20 miles—be-

cause this ties into where we are going—to avoid Cochran, because it was such a hellhole. The businesses left our downtown area.

Today, Cochran Tenant Management stands there as an anchor. Right next door to Cochran, which is where 3,700 residents live, we have 2,000 new condos. My neighbors, Mr. Chairman—my neighbor lives right—this is Cochran; this is my neighbor—they paid \$190,000 for their units. And they moved there knowing that 3,500 low-income were their neighbors, because we all sought the same thing: a decent place to live.

Right next door to Cochran, Mr. Chairman and committee members, is a \$250-million Super Dome, who hires, now, residents from our development. Right next door are 200 stores, brand new, cost the city \$175 million jointly with May Co. to build. We were able to leverage—when I say “we,” the Cochran Tenant Management tenants—through our training and our skills, the UDAG funds that were specifically for cities to keep businesses in the cities. We were able to leverage that because we refused to sign the application until there were dollars put in there to make physical improvements on Cochran.

The president of May Co. would never have sat at the table with a Bertha Gilkey, but he needed the \$16 million to build his mall, so he had to sit at the table with me and the residents of our development in order to build his mall. So the Federal dollars were leveraged to force him, and other business people who wanted to redevelop in our neighborhood, to sit at the table now with residents, to put something back into this community. As a result, many of our residents now work at that mall.

We were also responsible for the building of the largest supermarket in the State of Missouri, sits right next door to Cochran. We’re now in the process, Mr. Chairman, of doing a joint economic development venture with that store. When we took over, we now own our own cable, Mr. Chairman. We install the cable. Thirty percent of the cable bills that the residents pay go back into Cochran. We employ some 175 residents in all of our businesses.

We are the Meals on Wheels. We have a direct contract with the Department of Aging to feed 22 elderly buildings in Cochran. We employ 75 residents in that company. The profits go back.

We provide the homemaker services for the residents in all the public housing sites. Rather than the elderly now going into nursing homes that cost taxpayers more, we pay residents to go in, through a contract with the State, to help that elderly person stay there longer. Those profits go back into the community. Those residents, Mr. Chairman, were once all on welfare.

[The prepared statement of Ms. Gilkey follows:]

Date: November 9, 1995

Sub-Committee: On Human Resources and Intergovernmental Relations
Christopher Shays, Connecticut Chairman
Room B-372 Rayburn Building, Washington D.C.
20515

Speaker: Mrs. Bertha Gilkey, President Cochran Tenant Management
Corporation, Saint Louis Missouri 63101

Dear Congressman,

Chairman Shays, and committee members. My name is Bertha Gilkey. I am President of Cochran Tenant Management Corporation (RMC/TMC) a high rise public housing complex located downtown in the City of St. Louis, Missouri six (6) blocks from the "infamous Puritt Igo" that was blown up in 1972. Cochran was scheduled to be blown up in 1973 due to the high vacancy, drug dealing, deplorable physical conditions of the buildings and open shooting and gang activities. The Saint Louis Housing Authority did not know who was living in Cochran legally they only controlled the federal dollars given to administer the management of the site. It was the gangs who were really in charge of Cochran.

Cochran Tenant Management (CTMC) residents have managed the site since 1976 under the guidance of a Duly Elected Resident Board of Directors who contract with (SLHA) Saint Louis Housing Authority. Today, Cochran Gardens provides the newly revitalized downtown economic entities with a hard working low and moderate income work-force that (19) years ago was non-existent due to the lack of job opportunities for unskilled workers, an the criminal activities that existed in Cochran under the St. Louis

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Housing Authority Management. However, as a result of the Resident Management, Economic Development, and Empowerment Initiatives funded by HUD today Cochran Gardens is a part of a Partnership of Economic Entities of the downtown area that now encompass the following:

- * A 250 Million dollar Superdome Stadium
- * A 75 Million dollar Convention Center
- * (10) Ten Newly built Hotels
- * 125 Million dollar Saint Louis Center Mall With 200 Stores
- * 15 Million dollar Expansion of Kiel Auditorium
- * 1000 Units of newly built Market Rate Housing
- * 1000 units of newly built condo's selling at \$90,00 to \$160,000 per unit
- * Redevelopment of St. Louis RiverFront
- * Newly Built Schnucks Supermarket
- * Newly Built AT&T Building

I appreciate this opportunity by your committee to continue to discuss and review public housing resident management, economic development and empowerment initiatives funded by HUD. Cochran Gardens Tenant Management Corporation is a mature Resident Management Corporation however to give your committee a developmental description of the process of Resident Management I shall also discuss two additional Tenant Management Corporations at different stages in their development. I cannot reiterate enough how important RMTAG TOP/TAG funds are crucial to the birth of Resident Councils and the Survival

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of RMC's and TMC's that struggle to "reclaim their crime infested Public Housing developments as Cochran Tenant management did in 1976. A Resident Councils' ability to function and communicate the problems that exist in their community are only effective if the residents have an Autonomous Economic Base to provide Training which is key, and if Public Housing Authorities see them as partners in resolving long standing issues in the complex.

Cochran Gardens, 1230 North Burling Building in Cabrinni Green, and George Loving Tenant Management Corporation in Dallas Texas, are all at different stages in Resident Management which represents the birth of changes, choices, and alternatives from traditional PHA's which is Resident Participation: Resident Management Corporations that resolve the problems of their particular public housing site and expose serve management deficiencies while utilizing economic development and empowerment initiatives funded by HUD to further accomplish substantive managerial goals.

Again the TOP/TAG and RMTAG Grant funds provided by HUD are necessary because they provides residents of public housing who want to address the long standing issues of bad public housing authorities with an independent source of funds. is not at the discretion of bad Public Housing Authorities. Ten Years ago Ten African American women at 1230 North Burling Building at Cabrini Green in Chicago Ill. were tired of

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way things were from the filth to the deplorable conditions of the interior and exterior of their building. They started meeting among themselves to decide what to do. They began by boarding up vacant apartments and cleaning up the building. The children of 1230 participated and began to encourage their parents to join in. The residents of 1230 North Burling contacted different Foundations to bring in a Resident Management Specialist. I was brought in to train them and after the initial funds ran out 1230 North Burling convinced me that they wanted to control their destiny and they had hopes, dreams, and aspirations, and most importantly a vision of better things to come they only needed someone to show them how to make their dreams a reality. I trained the tenants on the lease and what responsibility they had as residents and what responsibilities the Chicago Housing Authority had to the residents of 1230 North Burling Building. Once they understood that they did not have to live the way they lived it was only a matter of enforcing the lease. I taught them that the Chicago Housing Authority received funds to correct the physical condition of 1230, the frequently inoperative elevators, broken windows, no lights, rats, roaches, trash, and graffiti-covered surfaces. 1230 had just begun to change gradually by cleaning up the building, but also they dealt with residents that did not understand the process or what their mission was and the strong reaction the Duly elected Board of Directors received from negative

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(criminal) factions in the complex both physical and emotional was challenging but they were determined to change their lives and to control their destiny. Resident Training made them aware of not only their rights according to their lease but also their right to manage their building. 1230 North Burling Resident Management Corporation currently operates off of only 40% of the budget officially allocated to them because the Chicago Housing Authority chooses to keep 60% of their budget to effectively offset their wasteful spending. 1230 North Burling (RMC) has set up a Security Program, which currently provides training to 200 residents certifying them as official Security Guards which has resulted in a 60% decrease in crime in their community. The residents also have set up a 900 member Tenant Patrol Committee which patrols the entire site, and has decreased vandalism by 50% on site. The Resident Management Corporation has established a on-site Laundry Room Facility which generates Economic Development and a reserve for future programs at 1230 North Burling. Also the RMC has established a two year joint agreement with Children Hospital working with Dr. Karen Sheehan to provide much needed Health Services to the Residents of 1230 North Burling. They also have established an After-school Tutoring Program with Harlem Hospital Entry Preventative Program which has donated a \$65,000 dollar playground to the residents. 1230 has developed a strategy to rent the apartments, 95% which are occupied. They currently employ residents in the following

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positions: Building Manager, Leasing Clerk, Financial Manager, Social Service Director, Receptionist, Maintenance Mechanic, Janitors, a Clean Up Crew, and a Laundry Attendant. Finally they are also hiring 35 residents to renovate all of the apartments at their building. They have managed to survive and use the skills taught to them as a part of their Resident Management Training which focuses on utilizing the skills within and combining that with raising money from Foundations, Private Grants, and Economic Development. Today these very same African-American women of Cabrini Green effectively operate a \$400,000 Corporation but remember it did not happen over night and they were successful because of training they received. Resident Councils fail to achieve Resident Management of their crime infested developments all across the country because bad PHA's Limit, Intimidate, and Control the funds available to Resident Organizations for Training, Technical Assistance, Economic Development, and Empowerment. Resident Councils who have their own autonomous economic base become less afraid to speak out against injustice, poor management, and the often squalid and dilapidated conditions they are forced to live in. The potential to develop real leadership in Public Housing is directly tied to and organizations ability to:

1. Pay for the training of duly Elected Resident Councils that RMC's will use to establish Resident committees and groups whose function is to provide a system to residents and make them accountable and responsible to maintain community

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standards which are decent safe and sanitary housing for low and moderate income people.

2. Use these newly developed systems paid for by RMTAG and TOP/TAG or HUD to identify problems in their site.
3. Develop real solutions and systems with PHA's after addressing their existing Management Deficiencies without fear of reprisals from the PHA's.
4. Finally to incorporate, negotiate and enter into a property and management contract themselves and become and Alternative to the Public Housing Authorities and manage their own sites.

Public Housing Residents want to improve their quality of life, become independent, and self reliant. However in order to become independent Resident Councils eventually are forced to expose what their PHA's are not doing, which ultimately puts them at odds with the very agency that controls their funds. If you truly believe that Residents are a part of the problem and the current system in place is not effective they I say to you please consider including residents in any solution that requires their direct participation. Resident Management provides tenants with a vehicle to go from being managed to becoming managers. Finally and most importantly the current system in place across the country punishes residents that expose PHA's inability to manage. RMTAG and TOP/TAG are responsible for the following opportunities:

1. Job Training (1,971) residents have been hired since 1988 first awarded RMTAG/ and TOP/TAG have been awarded. (Building Maintenance and Repair, Computer Programming/Word Processing, GED, Job Interview Skills, Brick Laying, and Child Care Training, and finally Micro-Enterprise.

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2. Economic Development (1,824) new jobs have been created as a result of the expenditure of RMTAG and TOP/TAG funds since 1988. Types of Jobs created: (General Carpentry, Administrative, Child-care Providers, Security, Computer Systems Operation, Management, Entrepreneurship, Community Planning Outreach, and Health Care Providers.
3. Resident Owned Businesses (132) Resident Owned Businesses have been created. Some include the following: (Landscaping, Property Management, Child care services, Grocery Stores, Laundromat facilities, food delivery, and catering services

The availability of funds to provide training to RMC/TMC's for Economic Development, Empowerment Initiatives, and Resident Management will determine how residents will meet the challenges to their communities economic, and social survival. The RMTAG and TOP/TAG funds are like an incubator system for Resident Councils. With training, leadership, and empowerment these grassroots organizations ran by public housing residents will provide Congress with an alternative that is different than the current system available.

Economic Development, Job Training, Child-care, along with Regulation 963, and 964 allow Residents an opportunity to empower themselves, employ themselves, and improve the quality of life they live. However, I must address the House Appropriations Committee Bill that suspended the Brooke Amendment in public housing which has capped tenant rent contributions since 1969. The Impact of the proposed Rent Increase Suspensions (even for one year) will impact severely the low income families residing in public housing.

The Bill forces PHAs to raise rents, requires a minimum rent

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charge, and allows PHAs the option of setting it in three ways:

1. 32% of a particular state's AFDC benefit (for families) or SSI Benefit (for individuals);
2. A \$50 plus utilities minimum rent;
3. An amount based upon a presumed 30 hour work week at the Federal Minimum Wage Rate.

Recently, at a residents' advisory meeting, residents were asked to complete a survey form to see how the proposed changes would affect their rent. The results are listed below as case studies.

By supporting the suspension of the Brook Amendment you are forever trapping public housing residents and senior citizens who also live in public housing and will be trapped on fixed incomes and who have paid their dues in the past, but now will also be trapped in an ever ending cycle of entrapment, isolation, and impoverishment.

In conclusion, this Bill wipes out all regulations as obsolete documents without considering their merit. Part 964 offers the structure for the activities, resident management etc. Part 963 offers opportunities for resident business growth by permitting competition solely among resident businesses. Current regulations should be reviewed by an the advisory committee before being eliminated.

There is a need to designate an appropriate percentage of both capital and operating funding to empowerment/self-sufficiency activities. This is particularly critical in times when funding is being reduced. The large

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percentage of housing authorities will focus purely on hardware rather than tenant initiatives.

The bill should require performance standards specifically related to economic lift. Initiatives such as the university learning initiatives should be fostered.

There is a need to continue the family investment center program as an initiative that was just started. It is noted the Senate appropriations bill added \$80 million for a resident self-sufficiency program. This program is generally the same as the FIC Program and should continue. There is a critical need for residents to be on the advisory committee but also on the board on commissioners. I recommend a policy of at least one member or 25% of the board tenant commissioners, whichever is greater.

Sincerely,

Bertha Gilkey
President Cochran Tenant Management

Mr. SHAYS. OK. Let's talk about that, because that's the key. I mean, why are you doing so well? What is HUD doing to help you? What could they do to be more helpful? Let's talk about that.

Ms. GILKEY. OK.

Mr. SHAYS. Let's just get into that issue.

Ms. GILKEY. OK.

Mr. SHAYS. And I will just throw out a few other things. How much should we allow consultants to take out of programs? I mean, we have the Delaware program. We had six grants for \$100,000, and the consultant was going to take \$60,000 out of each grant. I just don't know how to deal with that.

Ms. GILKEY. OK. I will respond to all three of those areas. First of all, when we took over managing Cochran, 94 percent of our residents were on welfare. Today, 68 percent of our people are employed, even in these worst times.

Mr. SHAYS. Is that because you brought new people in?

Ms. GILKEY. The same people. What we did was, we created employment opportunities.

Mr. SHAYS. And you did that—how did HUD help or hurt that process?

Ms. GILKEY. Well, first of all, you need to know we did it without any regulations, which was extremely difficult. I heard one of the witnesses say today, particularly from the IG, that the housing authorities ought to be the entities. Mr. Chairman, the housing authority is the problem.

You cannot—how can you—when a tenant group—if any of you all think I'm lying, just go to these sites. You've been to Cabrini.

Mr. SHAYS. Yes, I have.

Ms. GILKEY. 1230 is one of the buildings I've worked with.

Mr. SHAYS. What a wonderful job you've done with that.

Ms. GILKEY. Ten women took the building from the gang members 2 years ago. Today we have 160 people employed, including ex-gang members, who we were paying \$36,000 a year to keep them incarcerated. They are now employed, on the lease, paying their rent, being responsible taxpayers.

Because what we did, Mr. Chairman, we took the \$9 million of Comp Mod funds, which is the same theory we used in Cochran, and we said to contractors who were going to put roofs in, elevators in, tiling in, whatever contract they had, "You've got to hire a resident. We're not going to tell you who to hire. We're going to give you 10 people to interview."

Now, what we had done earlier, Mr. Chairman, through the TOP/TAG funds, we used those funds to train those residents for the prospective jobs that we knew were going to come available, so the contractor could not come back, when it's time to hire them, and say, "I'm not going to hire them because they're not qualified."

Mr. SHAYS. You're doing great things; other tenant associations are. I want to know what accounts for the differences between a good tenant association and one that's not good? Is it the leadership? Is it, "Show me a good school; I'll show you a good principal"? What is it?

Ms. GILKEY. OK. Let me tell you. The first problem, imagine this, is that we are now getting ready to give power to a small country, a small country that is inhibited, that has no structure, that has

no government, but they've got the will to take the country and do the right thing.

Mr. SHAYS. I love that description.

Ms. GILKEY. OK. In order to do that, you cannot go into the small country—because they also have their own conflicts—and think that we can take—and I can use another version, taking a baby and trying to feed a baby meat. You cannot feed a baby meat, because they have to go through stages to be able to eat the meat.

You cannot take a baby tenant group who has never, Mr. Chairman and committee members, attended a meeting, not even a social—never been on a social board, have no idea of Robert's Rules of Order, can't even read an agenda or even understand it, and say to them that "We are now going to let you manage." There's a process they have to go through.

Mr. SHAYS. Let you what?

Ms. GILKEY. "We are now going to allow you to manage, to do resident management in your property."

Mr. SHAYS. Right.

Ms. GILKEY. Now, the regs say—the regs are very explicit in, "You can manage," and the steps, but there is a process that has to happen first. And the first process is that the tenant group has to, Mr. Chairman, get basic leadership training, just basic leadership training. They have to have bylaws, and they have to understand it; not just write them, but understand what they mean, because that's their code, their guide, that will govern the organization.

They have to create a democracy, a process of democracy, where they become legitimate leaders. Other than that, we're talking about a small country. The people will oust them out if it's done through a democracy process. That democracy process, Mr. Chairman, has to be developed by them and the people who they serve. It has to be done, Mr. Chairman, in laymen's terms, where they can understand it.

Because understand we're not dealing with people that don't have a high school diploma, many of them, who don't have a college degree, but yet they have been elected as the leaders in their community because they have shown the will to change the conditions.

All they need is the skills, and those skills have to be given to them in leadership skills, in how to develop an agenda, how to develop bylaws, how to develop an election process, how to read the lease and interpret the lease to their residents so they can hold those residents responsible. Because many people are being evicted because they signed the lease and don't understand it. And the leaders can't help them because they don't have information on it.

Mr. TOWNS. So, in order to do that, you might need consultants.

Ms. GILKEY. The leader has to be trained. The leaders have got to be trained. There's no other way. The housing authority, Mr. Chairman and committee members, is not going to train tenants to put them out of business. They know the ultimate end. The ultimate end, when this baby begins to move from breast feeding to the rice, the baby rice, to finally eating at the table, they will no longer be managing that property, very much like 1230.

Building 1230 now controls a budget, should be controlling a budget of \$1 million. However, the housing authority only gives

them \$400,000, and they keep the other \$600,000. So, clearly, the housing authority is not going to empower the tenants.

Mr. SHAYS. Let me just run through that a little bit. This is building 1230?

Ms. GILKEY. Yes.

Mr. SHAYS. Why would that building get \$1 million? Is that the income?

Ms. GILKEY. OK. That's the income. That's a combination—it's two sources of money that manage the public housing property: it's the rents that the tenants pay, and it's the subsidies that are appropriated by Congress.

Mr. SHAYS. Right. And that adds up to what?

Ms. GILKEY. That adds up to—based on the region, Mr. Chairman, if the cost of living is higher in certain regions.

Mr. SHAYS. What's the bottom line?

Ms. GILKEY. For 1230?

Mr. SHAYS. Yes.

Ms. GILKEY. I would say their money should be about \$985,000, but they only get \$400,000.

Mr. SHAYS. OK. Between the rent and subsidy?

Ms. GILKEY. That's their operating budget.

Mr. SHAYS. OK.

Ms. GILKEY. But for 4 years they have been operating off of \$400,000.

Mr. SHAYS. It seems pretty obvious to me that \$400,000 is too little. Although, I wouldn't say they should receive close to \$1 million. This raises a lot of questions the resident management corporation can do what you do with half of that. It makes you wonder what you could do with more of it.

Ms. GILKEY. Now, you hit it right on the point, Mr. Chairman.

Mr. SHAYS. I want to get a sense of—and this would be something I would like to follow up on—some of that has to go for the overall administrative costs of running it.

Ms. GILKEY. And that's negotiated with the housing authority.

Mr. SHAYS. I hear you. But somehow I need to figure out what that would be. I would love for you to sit down with my staff later.

Ms. GILKEY. OK.

Mr. SHAYS. And really think through—and there must be other factors that we need to do.

Ms. GILKEY. But you need to know, in the regulations, it spells it out. In the OMB circular, it spells it out under resident management practices, and I will give your staff a copy of that.

Mr. SHAYS. I mean, even the law is clear that you should get more than you get.

Ms. GILKEY. The law says that the money should come into—the money comes from the Office of Management and Budget to the authority. That money then is supposed to go back to the resident management group. The housing authority then is supposed to bill the resident management group for any services that they provided, with actual cost.

Mr. SHAYS. I would like Ms. Gilkey to make her arguments before us and HUD, meet with the staff of HUD or Chicago, and help us all sort out and understand how this works.

Ms. GILKEY. And I will provide your staff with a copy of the written—the housing authorities have the written practices. They know the way it's supposed to go. However, you have to understand—and this goes back to the training, Mr. Chairman—if the tenant groups don't have the training, and those who do—1230 has the training, but the funds are coming through the housing authority. It's like the mama, and the baby is connected to the mother. When the mother dies, the baby dies.

Mr. SHAYS. Where do you think of these images? They are something else.

Ms. GILKEY. So, if you've got a bad housing authority, Mr. Chairman, no matter how healthy that baby is, the baby is going to die. So you've got a good resident management group like 1230.

Mr. SHAYS. Well, but, with no disrespect, 1230 isn't dying.

Ms. GILKEY. Yes, but let me use an example.

If you've got a good group like 1230, who's managing, collecting the rents, doing everything right, but you've got a bad housing authority who's taking 60 percent of their money, how long—because Congress votes on the subsidy, those numbers are calculated to the penny. The only reason why 1230 survives is because they go out and create economic development.

We've been able to encourage a private vendor to come in there and set up a laundromat. With the profits from the vendor, they put those profits back in their operating budget, which allows them not to go belly up. But why, if we're talking about America, if they do the work and Congress is appropriating the money for the housing authorities or the resident management groups that do the work, why are they doing the work and the housing authority is keeping 60 percent of their money, Mr. Chairman, to hire a bunch of staff, administrative staff that does absolutely nothing for this site. It is wrong.

In this country, it is sad, if one does well—and they took over—I've got 36 sites, Mr. Chairman, that are managing in this country. We started off with two of us, in 1973. Every one of these sites have a savings. My site, and we just got in control, I want you to understand this, these sites were just given control. Even though we were managing in 1972, we only got the management fee.

That means—let me use an example. Cochran Tenant Management has a budget of \$3.5 million. That's what the housing authority had been getting for years, for 884 units. When we took over managing, in 1976, do you know how much money they gave us?

Mr. SHAYS. How much?

Ms. GILKEY. \$69,000. And they told us, if we didn't like it, give the keys back. So we went out and created economic development. We own close to 2,000 units. We did joint partnerships with private developers. We syndicated, took half a million dollars of our syndication, put it back in the operation of Cochran. Only until 1988, when CFR 964 was passed into law, and Kemp helped us do that, gave us the right to manage, and not just manage, but to control the dollars. We've only been in control of our dollars, in Cochran, since 1991, and we've got a savings of almost \$1 million, that we've saved the taxpayers.

Let me just tell you.

Mr. Chairman, in Philadelphia, Abbottsford has a savings of \$1.2 million. In Chicago, LeClair has a savings of \$1.7 million.

Mr. SHAYS. OK. Here's what I'm going to do.

Ms. GILKEY. And we've only been in control of our money 4 years.

Mr. SHAYS. OK. You are almost describing to me a competitive model of allowing tenant organizations, and even maybe allowing consultants who organize tenant organizations, to compete, to run different ones. And maybe this is happening somewhere. But I'm going to give you the opportunity to get together a few key tenant organizations that you think are good, around the country, because I think you have a sense of this. You're not just focused in on Detroit.

And we're going to have another hearing.

Ms. GILKEY. Can I address the concerns you have with Biden?

Mr. SHAYS. I'm going to have you do that.

Ms. GILKEY. OK.

Mr. SHAYS. I'm going to put this on the record.

Ms. GILKEY. OK.

Mr. SHAYS. I'm going to invite you to come back for a hearing, with your concurrence, Mr. Towns.

Mr. TOWNS. Sure. Be delighted.

Mr. SHAYS. And we're going to get a few RMC's to come in, where you think they've been successful. We're going to get HUD to come in and make the argument one way or the other, whether you're getting your money or not. We're going to get the public housing authorities in those areas and have them defend whether you get the money or not.

Because I think there's another part of the story. There are overhead costs that have to be taken. But if the law is clear on what you should get, that's one thing. And we don't have the other side responding to that. I suspect that there is more to the story, but my own sense is that you're probably very right about this. I haven't studied this issue to know, technically, how much you should be getting.

Ms. GILKEY. Mr. Chairman, let me just make a point on the overhead.

Mr. SHAYS. Sure.

Ms. GILKEY. Every one of these 36 sites that we are managing, we pay our overhead. Philadelphia, Abbottsford, pays the housing authority \$280,000 a year for overhead, but yet they have a savings of \$1,600,000. So even with paying them overhead that we don't think they deserve, because they haven't done the actual work, we give it to them anyway. We still are able to have a savings where we don't have to come back to this Congress or to the taxpayers, of \$1,700,000, and we've only been managing 4 years.

Mr. SHAYS. How many units are you involved in?

Ms. GILKEY. This is a mall that is being done in my city by a resident management corporation. This is where a tenant group can go, Mr. Chairman, once they take over a troubled site.

Mr. SHAYS. Then let me ask you this: We do have tenant organizations and consultants going around looking to manage public housing. They manage Section 8 housing, and so on, and they are going into public housing and managing it; correct?

Ms. GILKEY. Yes.

Mr. SHAYS. OK. When do you know that the tenants are capable to run them? Is it turnover; is it apathy? And what are the challenges? Is it turnover, apathy, bad training, just starting with low skills?

Ms. GILKEY. Good point. It's all of them. And you say I use examples. This is a good example: dry bones. That's what we're dealing with, Mr. Chairman, dry bones.

Mr. SHAYS. You're reaching this guy. He feels like he's in a Baptist church. He's going, "Amen."

Ms. GILKEY. And the consultant, a good consultant TA, has to go in and put meat back on those bones, to make people want to take on the drug dealers. Because the housing authorities are not in control of those buildings, Mr. Chairman, you know that. The gang members are. So not only do they have to meet the work plan that they submit to HUD for approval, they've got to go in and take on gangbangers who they help raised, who they grew up with their mothers. They have to say, "You're not going to gangbang in this development." That's before they can even do anything else.

They've got to take back control of the site. And they've got to be motivated to believe that they can do that.

Mr. SHAYS. You've got two umphs from this guy now.

Let me do this. Mr. Towns maybe wants to weigh in on this. But what I'm going to also suggest—and my staff is going to want me to adjourn this hearing soon, because I'm getting carried away—you tell me what cities you want us to go and visit.

Ms. GILKEY. OK.

Mr. SHAYS. We will try to have maybe a hearing here, and then to spend 2 or 3 or 4 days and go to some different urban areas where tenants are doing a great job.

Ms. GILKEY. Yes, sir. I'd love to do that.

Mr. SHAYS. You might give me one or two.

Ms. GILKEY. Now?

Mr. SHAYS. No, you don't have to give them to me now.

Ms. GILKEY. I can give them to you.

Mr. SHAYS. OK. Give me an example now.

Ms. GILKEY. OK. Cochran, in St. Louis; we'd love to host you.

Mr. SHAYS. St. Louis. OK. Give me another one.

Ms. GILKEY. Philadelphia is another one, Abbottsford. Dallas, TX, is another site. That's a baby OMC that just got started. I've got a whole list of them here. LeClair in Chicago, and 1230.

Mr. SHAYS. My staff said, could you invite me to San Juan?

Ms. GILKEY. No, no. I don't have one in San Juan. But I have a list.

Mr. SHAYS. OK. I'm going to have you get together with some others.

Ms. GILKEY. Bromley-Heath, which is an old site that started at the same time we did.

Mr. SHAYS. One of the temptations is to go to—I've been speaking with Secretary Cisneros about some of the public housing around the country that he potentially would suggest could be taken over by HUD, just as we've taken over Chicago. And I'm thinking that's one kind of hearing. But another kind of hearing would be to just focus in on some great, real-life stories of where

tenant involvement has really paid off, and allow tenants that opportunity.

The way we are down here right now, I don't know how we would do it. But if we have the month of January free, or so on.

Ms. GILKEY. Mr. Chairman.

Mr. SHAYS. Yes.

Ms. GILKEY. I just want to say—because I want to just briefly address the Biden issue, because we met with Senator Biden's staff.

Mr. SHAYS. OK. Now, the Biden issue, would you describe the Biden issue?

Ms. GILKEY. OK. Can I just share this with you first?

Mr. SHAYS. Yes. Sure.

Ms. GILKEY. I want to revisit the whole issue.

Mr. SHAYS. I'm going to try to be done in 5 minutes. So you have 5 minutes.

Ms. GILKEY. OK. I will. I promise. Let me revisit, real quickly, the issue of training. Let me just tell you how powerful it is, Mr. Chairman, when people finally get there.

Mr. SHAYS. I want to put this on the record. The Biden issue is, six contracts, \$100,000 each, consultant getting 60 percent of it. And Mr. Biden, being so concerned that he shut that down and, even tried to zero out funding for about the entire TOP Program.

Ms. GILKEY. Yes, sir. But we met with him for 3 hours, and you'll be happy with what we worked out with him.

Mr. SHAYS. OK.

Ms. GILKEY. But let me revisit the whole issue of tenant empowerment and training, so you can understand how powerful poor people can be once they move from the breast feeding to eating meat. We've got tenant group leaders now that started off with the leadership training who are now councilmen and councilwomen in their cities, who are State representatives. That's power.

Mr. SHAYS. That is power.

Ms. GILKEY. Who are now chairmen of the housing authority's board of commissioners, because now they have the skills. Because, see, once people get information, Mr. Chairman, and they understand it, and they can disseminate it, there is no stopping them. There is no stopping, because the training is applicable in whatever area they decide to pursue, be that the board of education, be that the housing authority commission, be that a congressional seat.

Mr. SHAYS. How does that relate to the Biden issue?

Ms. GILKEY. OK. I just wanted to show you the power in training.

Mr. SHAYS. OK.

Ms. GILKEY. OK. Let me go back to the Biden issue. We met with Senator Biden—and I have to say, I like Senator Biden and his staff. I mean, they are good people, and they have done some good things for resident participation. Senator Biden's staff told use very clearly, and we met for 3 hours, that they are not opposed, Mr. Chairman, as you said you're not, with residents being empowered. He is 100 percent in support of that.

His concern is, how do we take a baby organization, who has no skills, who can't pick a TA, because they can't even do an agenda, so how do we keep them from getting screwed, where they can ultimately get the TA that they need and yet come in with a number

that's reasonable, and yet have money left to do the other things they need to do?

And this is what we suggested, and they loved it. And this is a copy of the letter that we sent Senator Biden, October 26, 1995. We suggested—and we went back to the drug elimination, Mr. Chairman, that Congress has approved. In a drug elimination process, HUD can allow up to \$10,000 to be used to bring in an independent TA, whose specific job is, one, to help that group develop the bid specs that are going out, so you don't have the TA that's bidding on the work is the same one doing the bid specs. See, that's the problem. They take the \$10,000 and bring in an independent TA.

And the good thing about the drug elimination process, Mr. Chairman, the group never gets the money. The \$10,000 doesn't come to them; HUD controls it. They submit the person they want to come in to do the training, and HUD gives them a specific scope of work that they've got to do. And one would be to help the tenant group develop the RFP, request for proposal, that has to go out to at least three resident management specialists/consultants.

Then they develop the evaluation process; this is the TA helping the group. Then they sit with them and help them interview and select a consultant. Then they negotiate the contract with them, and with HUD, and with the consultant. And then the contract is signed and they are gone. The baby tenant group never gets the money; they never get the \$10,000. HUD controls the money up until that group brings that consultant on.

Once that consultant comes on board, that same consultant that helped them develop the process cannot come back and bid to be the resident management specialist. And Senator Biden, you need to know—and I've got a copy of this for you, for the record—loved it. And we then gave this to him. He told us to get it to Senator Bond, who is my Senator. Senator Bond only didn't support this because Biden didn't support it.

Mr. SHAYS. Right.

Ms. GILKEY. We went to Senator Biden. He said he could live with this. He asked us to give it a new name, and the new name is Resident Empowerment Technical Assistance Program. It's called RETAP.

Mr. SHAYS. No, don't get up. Don't get up.

Ms. GILKEY. OK. I just want to give it to you.

Mr. SHAYS. We'll get it. Sorry.

Ms. GILKEY. OK. And that will eliminate any future problems with the technical assistance funds.

[The information referred to follows:]

October 26, 1995

Honorable Joseph R. Biden, Jr
Senator
United States Senate
Washington, DC 20510-0802

Subject: Resident Empowerment Technical Assistance Program (RETAP)

HUD APPROPRIATIONS INSERT

Summary:

The FY 1996 appropriations bill would state that \$15 million is set-aside from the modernization funding for the Resident Empowerment Technical Assistance Program (RETAP) under Section 20 of the USHA, of which a 10% (\$1.5 million) of the funds shall be used to provide short-term technical assistance to inexperienced resident organizations needing assistance in the development of an application for RETAP funding, and assistance in properly procuring the services of a consultant/trainer. Attached is the specific legislative insert.

Program Description:

The Department of Housing and Urban Development (HUD) will use the \$15 million to provide RETAP grants to resident organizations through a competitive grant process.

In order to address problems identified with this important resident-based program, HUD is required to reserve 10% (\$1.5 million) of the RETAP funds to establish a short-term technical assistance initiative -- similar to the Drug Elimination Technical Assistance (TA) Program. Under this initiative, inexperienced resident organizations would seek technical assistance (up to \$10,000) from HUD for two basic purposes:

- a. For potential grantees, help in the preparation of a RETAP application, and

- b. For new grantees, assistance in "jump-starting" their training program before the grantees obtain any funds, including, but not limited to identifying and selecting a qualified and certified consultant/trainer through the competitive procurement process.

The short-term RETAP technical assistance will be administered similar to the Drug Elimination TA Program, e.g., the resident organization applies to HUD for assistance in the areas desired, HUD Headquarters negotiates the contract (up to \$10,000) with an independent consultant who undertakes the work requested by the applicant, and HUD reimburses the consultant for the work completed. (See attached procedures on the Drug Elimination short-term assistance grant which can be modified and used for this important reform.)

This process will ensure that inexperienced resident groups will have an opportunity to compete for program funds, and receive the help necessary to select a qualified and certified consultant/trainer.

Proposed Legislative Insert

RESIDENT EMPOWERMENT TECHNICAL ASSISTANCE PROGRAM (formerly Tenant Opportunity Program)

Insert to the HUD Housing Annual Contributions for Assisted Housing paragraph, under of the total amounts earmarked under this head for modernization of existing public housing:

"Provided further, That of the amounts earmarked under this head for modernization of existing public housing, \$15 million shall be used for Resident Empowerment Technical Assistance Program grants under Section 20 of the U.S. Housing Act, to remain available until expended, of which \$1.5 million shall be available for or on behalf of resident organizations for short term technical assistance in application preparation, trainer-consultant selection and related tasks."

(215) 879-8921

Bertha Gilkey, President

National Tenant Union
2471 North Fifty-Fourth Street, Suite 276
Philadelphia, PA 19151

Draft
10/18/95

HUD Appropriations Insert

Summary:

The FY 1996 appropriations bill would state that \$15 million is set aside from the modernization funding for the Resident Empowerment Technical Assistance Program (RETAP) under Section 20 of the USHA, of which a 10% (\$1.5 million) of the funds shall be used to provide short-term technical assistance to inexperienced resident organizations needing assistance in the development of an application for RETAP funding, and assistance in properly procuring the services of a consultant/trainer. Attached is the specific legislative insert.

Program Description:

The Department of Housing and Urban Development (HUD) will use the \$15 million to provide RETAP grants to resident organizations through a competitive grant process.

In order to address problems identified with this important resident-based program, HUD is required to reserve 10% (\$1.5 million) of the RETAP funds to establish a short-term technical assistance initiative -- similar to the Drug Elimination Technical Assistance (TA) Program. Under this initiative, inexperienced resident organizations would seek technical assistance (up to \$10,000) from HUD for two basic purposes:

- a. For potential grantees, help in the preparation of a RETAP application, and
- b. For new grantees, assistance in "jump-starting" their training program before the grantees obtain any funds, including but not limited to identifying and selecting a qualified and certified consultant/trainer through the competitive procurement process.

The short-term RETAP technical assistance will be administered similar to the Drug Elimination TA Program, e.g., the resident organization applies to HUD for assistance in the areas desired, HUD Headquarters negotiates the contract (up to \$10,000) with an independent consultant who undertakes the work requested by the applicant, and HUD reimburses the consultant for the work completed. (See attached procedures on the Drug Elimination short-term assistance grant which can be modified and used for this important reform.)

This process will ensure that inexperienced resident groups will have an opportunity to compete for program funds, and receive the help necessary to select a qualified and certified consultant/trainer.

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(formerly Tenant Opportunity Program)

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"Provided further, That of the amounts earmarked under this head for modernization of existing public housing, \$15 million shall be used for Resident Empowerment Technical Assistance Program grants under Section 20 of the U.S. Housing Act, to remain available until expended, of which \$1.5 million shall be available for or on behalf of resident organizations for short term technical assistance in application preparation, trainer-consultant selection and related tasks."

Mr. SHAYS. OK. Mr. Towns.

Mr. TOWNS. I just have one question, Mr. Chairman.

First of all, let me begin by saying thank you for your very eloquent testimony. I think there were a lot of unanswered questions here that you were able to answer for us, without us even raising the questions.

Ms. GILKEY. Thank you so much for inviting me.

Mr. TOWNS. So thank you for that. The only question I have for you, did you attend the conference in Puerto Rico?

Ms. GILKEY. No, I didn't.

Mr. TOWNS. If you had, I would have said it would have been worth going.

Ms. GILKEY. But let me say, I did review the agenda, Mr. Chairman, and the agenda was excellent, the workshop. The problem—Mr. Chairman, I have to say this to you, because I just want you to know the other side of it. Public housing is changing. The public housing we knew in 1937, the whole Housing Act is being rewritten.

Mr. TOWNS. As we speak, it's being rewritten, yes.

Ms. GILKEY. As we speak. The 4 million people we've got living in public and assisted housing don't understand what's getting ready to happen to them, Mr. Chairman. Somebody has to go down and explain to them. That's HUD's responsibility to do that with national groups.

So tenants—not lobbying, not campaigning, but letting people know what's getting ready to happen, that we're not just reducing the budget; we're rewriting the whole law on public housing. And the poor people have got to be responsible for complying with that law. Unless they are allowed to come and get the information, then we're doing a disservice to them. And that, exactly, was the intent of the conference.

Mr. SHAYS. I represent the city of Bridgeport, and we've torn down a lot of public housing. And we figured out that we could have paid for three times the number of units, and they would all have been luxury units.

Ms. GILKEY. With the demolition.

Mr. SHAYS. Yes. With all the money that we put into public housing.

Ms. GILKEY. You're right.

Mr. SHAYS. What raises a gigantic question for me, think of how much money has gone into Chicago.

Ms. GILKEY. It's sad.

Mr. SHAYS. I have to say, on the face of it, it's almost astounding. You're using basically 40 percent of the full funding to operate 1230, and the implication, in broad terms, is that if we had more 1230 buildings, we could do it for half the dollars, or, to put it differently, we could give RMC's 60 percent on the dollar instead of 40, and think of what more you could do.

Ms. GILKEY. That's right.

Mr. SHAYS. And you're not only providing safe housing; you're empowering residents, as well.

Ms. GILKEY. Mr. Chairman, you raise a good point, because not only is 1230 and the other 36 groups managing, they also take out

the same money that the housing authority has been getting for 60 years, and they are funding child care centers.

Mr. SHAYS. Let me just say, we're going to document that. I'm interrupting you.

Ms. GILKEY. They are funding schools.

Mr. SHAYS. We're going to document that. And I'm going to have HUD Chicago, HUD Washington sit by your side on this, and I'm going to have them say "Yes, but" or "No, but." And if the answer is "Yes, but," then I'm going to say, "Why aren't we doing more of this?" and then "How?"

Are you asking me to take a different look at the Delaware project?

Ms. GILKEY. I'm asking you to, Mr. Chairman.

Mr. SHAYS. Let me just ask you this.

Ms. GILKEY. I'm asking you to look at what we submitted to Senator Biden.

Mr. SHAYS. We're going to have the consultant, at the next meeting, come and testify.

Ms. GILKEY. Yes, sir.

Mr. SHAYS. What is your testimony, that she didn't get the \$60,000 per unit?

Ms. GILKEY. No. My testimony is this: My testimony is that I'm pleading with you not to wipe out all the work that has been done, positively.

Mr. SHAYS. I'm going to show you. The attitude of the department on how this program operates makes a difference to me.

Ms. GILKEY. And second, I'm pleading with you to look at what we negotiated with Senator's Biden, and they loved this, as an alternative, so this could never, ever happen again, Mr. Chairman.

Mr. SHAYS. Thank you. Mr. Towns.

Mr. TOWNS. No further questions.

Ms. GILKEY. Thank you so much. And thank you, Mr. Chairman, for coming to 1230.

Mr. SHAYS. Well, there really are two cochairmen here.

Ms. GILKEY. Thank you, Chairman Towns.

Mr. SHAYS. Thank you very much. I look forward to our paths crossing often.

Ms. GILKEY. Yes, sir.

Mr. SHAYS. This hearing is adjourned.

[Whereupon, at 1:20 p.m., the subcommittee was adjourned.]

[Additional information submitted by the hearing record follows:]

WILLIAM F. CLINGER, JR. (REPUBLICAN)
Chairman

BRANDY N. GILMAN, NEW YORK
CARL BUDEN, INDIANA
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CHRISTOPHER SMITH, CONNECTICUT
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COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

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WASHINGTON, DC 20515-6143

SUBCOMMITTEE ON HUMAN RESOURCES AND INTERGOVERNMENTAL RELATIONS

Chris. J. Shays, Connecticut
ChairmanRoom B-372 Rayburn Building
Washington, D.C. 20515

Tel: 202 225-2548

Fax: 202 225-2382

October 20, 1995

The Honorable Henry Cisneros
Secretary
Department of Housing and Urban Development
451 Seventh Street, S.W.
Washington, D.C. 20410

Dear Henry:

The Subcommittee on Human Resources and Intergovernmental Relations is preparing a hearing on the Department of Housing and Urban Development's (HUD) management and oversight of funds targeted for tenant programs. Prior to the hearing, the subcommittee wishes to provide the agency with the opportunity to provide any information that you may consider relevant to our hearing.

The subcommittee has concerns regarding HUD's approval and participation in a tenant convention sponsored by the National Tenant Organization (NTO) at a casino and resort hotel in San Juan, Puerto Rico. The invitation and itinerary of the convention suggest that the event may not have been an appropriate expenditure of funds. The subcommittee also has concerns regarding the integrity of the process by which Public Housing Authorities (PHA) determine the Performance Funding System for individual buildings when entering into an agreement with a Resident Management Corporation (RMC). (The subcommittee directed a separate inquiry regarding this matter on October 20, 1995.)

To assist the subcommittee in its oversight duties, please provide the following information:

- 1) A list of any major tenant organization conventions funded in full, or in part, directly or indirectly, by HUD funds over the past five years. Please name the organization hosting the convention, identify the location of the convention, and provide a copy of the convention agenda.

CARLOS COLAS, ALABAMA
RICHARD W. GIBSON, NEW YORK
HEATH R. HARRIS, CALIFORNIA
TOM LANTIERO, ILLINOIS
ROBERT J. MUELLER, WISCONSIN
MAURICE R. DOWNS, NEW YORK
EDOUARD J. TOWNE, NEW YORK
JOHN M. SPALDT, JR., SOUTH CAROLINA
JON SEWELL, TEXAS
PAUL A. RABALLO, PENNSYLVANIA
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KAREN L. THURMAN, FLORIDA
CAROLINE E. MALONEY, NEW YORK
THOMAS W. BARNETT, MISSISSIPPI
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ELIZABETH H. HORTON, TEXAS
JAMES P. MOYAN, VIRGINIA
JANE SMITH, TEXAS
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QUINCY PATTON, PENNSYLVANIA
BILL A. BREWSTER, OKLAHOMA

BEATRICE SANDERS, VERMONT
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MAJORITY—2001 225-6074
MINORITY—2001 225-6074

2) A list of all funding sources available to HUD, PHAs and tenant organizations for the purpose of tenant training, travel, organizational or economic development programs.

3) An itemization of all HUD and PHA monies expended in FY95 for the purpose of tenant training, travel, organization or economic development programs.

4) A copy of any TOP grants awarded to residents in Chicago, New York City, Passaic, and Detroit.

5) Any other information or material you believe to be relevant to our discussion of HUD's management and oversight of funds targeted for tenant programs.

Please submit your response to the subcommittee by November 3, 1995. Should you have any questions, please contact Demi Greatorex at (202) 225-2548.

Your immediate attention to this matter is appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Christopher Shays". The signature is fluid and cursive, with the first name "Christopher" written in a larger, more prominent script than the last name "Shays".

Christopher Shays
Chairman

cc: Susan Gaffney, Inspector General, Department of Housing and Urban Development



U. S. Department of Housing and Urban Development
Washington, D.C. 20410-8000

OFFICE OF THE ASSISTANT SECRETARY FOR
CONGRESSIONAL AND INTERGOVERNMENTAL RELATIONS

Honorable Christopher Shays
U.S. House of Representatives
Washington, DC 20515-6143

Dear Mr. Shays:

On behalf of Secretary Cisneros, thank you for your letter of October 20, 1995, requesting the Department of Housing and Urban Development (HUD) to provide information on the management and oversight of funds targeted for tenant programs.

The Subcommittee was concerned about HUD's approval and participation in a tenant technical assistance and training conference sponsored by the National Tenant Organization (NTO) in San Juan, Puerto Rico. NTO is an independent non-profit organization and does not require approval from HUD to conduct such training. While a number of Tenant Opportunities Program (TOP)/Resident Management (RM) recipients attended, this is an allowable but limited expenditure as part of the TOP/RM grant guidelines. TOP/RM grants are designed to give maximum flexibility to educational and training activities that are tailored to improve the communities where public and Indian housing residents live. Although technical assistance and training conferences are an important part of educating residents to become self-sufficient, HUD does not approve of the irresponsible way NTO promoted this conference nor of the large number of participants who attended from the same community, particularly in light of limited Federal resources. HUD's role in the NTO training conference was to provide technical assistance and training on HUD programs. HUD has already begun an expeditious review of the guidelines governing this program and intends to implement all warranted reforms.

Listed below are each of your questions and our responses:

- (1) A list of any major tenant organization conventions funded in full, or in part, directly or indirectly, by HUD funds over the past five years, the name of the organization hosting the convention, the location of the convention, and a copy of the convention agenda.

Response: During the last five years, HUD has provided direct funding to only one outside national organization to support its technical assistance conference. Specifically, in April 1990,

- 2 -

the National Association of Resident Management Corporations (NARMC) received a HUD grant in the amount of \$25,000 for their first Annual Conference in Dallas, Texas. The purpose of the conference was to provide technical assistance and training to public housing residents, leaders from State and local governments, and private sector individuals on developing local partnerships in order to carry out successful public housing resident and homeownership programs.

NARMC and other tenant organizations, including the National Tenant Education Foundation (NTEF) and NTO, conduct national training conferences. Please note that HUD has not provided direct funding to these subsequent conferences.

(2) A list of all funding sources available to HUD, HAS and tenant organizations for the purpose of tenant training, travel, organizational or economic development programs.

Response: Listed below are the Public and Indian Housing (PIH) low-rent conventional public housing resources for resident training, travel, organizational or economic development programs. Please note that some of this information was previously provided in response to your memorandum dated October 18, 1995.

The following PIH programs provide direct HUD funding to resident entities:

A. TOP/RM

FY 1991	FY 1992	FY 1993	FY 1994	FY 1995
\$5 million,	\$5 million,	\$4.75 million,	\$25 million,	\$25 million

Under the TOP program, funding is provided to Resident Councils/Resident Management Corporations (RCs/RMCs). TOP represents a broader approach than the former Resident Management (RM) Program and addresses a wider range of resident empowerment initiatives in a more flexible manner. Resident empowerment initiatives have been expanded to permit resident groups, in cooperation with local housing authorities, to extend the scope of HUD's existing RM Program beyond training for property management. Also included is training for business ownership, child care, youth programs, tenant patrols and other activities that help prevent crime. These resident self-help initiatives have proven to be effective in developments, especially in improving security and reducing maintenance needs.

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In addition, TOP aids in the implementation of the Comprehensive Grant Program and Section 3 of the Housing and Urban Development Act of 1968, as amended, by providing job and partnership training and assisting residents in business start-up.

B. HOPE 1 for Public and Indian Housing Homeownership Program

FY 1992	FY 1994	FY 1995
\$16,817,722	\$2,117,949	\$608,144

Under the HOPE 1 Program, funding is provided to RCs/RMCs, HAS, non-profit community agencies, or a combination of any of these groups to enable public and Indian housing residents to become homeowners by converting their public housing units to homeownership. These grant funds are used to carry-out the required counseling and training, rehabilitation, financing, and other costs related to the conversion. The above figures represent the expenditures for resident counseling, training, and technical assistance in the development of RCs/RMCs, as provided in the LOCCS reports. The resident services funding above represents 32% of grant funds in FY 1992, 4% in FY 1994 and 5% in FY 1995. There were no HOPE I awards in FY 1993.

The following PIH programs provide funding for resident services directly by the Housing Authorities (HAs):

A. Operating Subsidy

FY 1991	FY 1992	FY 1993	FY 1994	FY 1995
\$56	\$59	\$62	data	data
million	million	million	unavailable	unavailable

HUD provides Operating Subsidy funds to HAs for operating and maintenance expenses. HUD guidelines permit HAs to use these monies for resident services activities -- using the benchmark of \$3 per unit per year. The funding is primarily for HA resident staff who coordinate resident activities, as determined jointly by the HAs and their resident population.

The above figures represent the actual amount spent for resident services by HAs, as reflected in the HA's Statement of Operating Receipts and Expenditures. The Department estimates that the amount used for resident services is approximately 1.4% of the total operating expenditures (\$4.3 million in FY 1993).

-4-

B. Comprehensive Grant Program.

HUD provides funding to HAS for modernization and the program requirements permit HAS to use a portion of the Comprehensive Grant Management Improvement funds for resident programs (see 24 CFR Part 968.210(e) and 310(g) and HUD Handbook 7485.3). Resident services (including but not limited to support for RCs/RMCs) is one of many eligible items under the management improvement funds; however, the primary use of management improvement funding is to improve the HA's operations. The Comprehensive Grant information system provides data on the HA's Management Improvement expenditures, which includes funding for resident training and other activities.

C. HOPE VI/Urban Revitalization Demonstration

HUD funds some of the nation's largest HAS to develop and implement revitalization plans for their most severely distressed developments. The program's emphasis is to develop demonstrable and transferable examples that will change both public housing's physical presence and their residents' role in the community. Grantees may use up to 20% of their HOPE VI Grant to create resident programs, and improve supportive services with an emphasis on residents' community service and participation. Typical components of community and supportive service programs included: job training, family self-sufficiency, economic and entrepreneurial development, child care, drug and crime prevention, health and educational services, and programs designed for the positive, constructive involvement of youth and elderly in the greater community.

D. Youth Apprenticeship Program \$10,000,000 (FY 94)

This one-year program funded eight HAS for training, apprenticeship and assured employment of youth in public/assisted housing through cooperative efforts of Youth Corps and Joint Labor-Management Organizations. \$250,000 of the total funding is being used for an evaluation of the program.

E. Apprenticeship in the Construction Trades and Public Housing Operations \$9,000,000 (FY 94)

This one-year program provides funding to 30 HOPE VI eligible HAS to link their residents with the following organizations: the Laborers International Union of North America (LIUNA), the United Brotherhood of Carpenters and International Brotherhood of Painters (UBCIBP), and/or the American Federation of State, County and Municipal Employees (AFSCME).

- 5 -

This demonstration brings together the skills needed to provide public housing youth job training to ensure bonafide apprenticeship and employment opportunities in the construction trades and public housing operations that will lead to self-sufficiency.

In addition to the above programs, the Department provides limited funding to HAs for social services programs.

(3) An itemization of all HUD and PHA monies expended in FY 95 for the purpose of tenant training, travel, organization or economic development programs.

Response: Current Departmental systems provide categorical line item information but not an itemization of all HUD and PHA monies expended in FY 95 for purpose of tenant training, travel, organization or economic development programs except for the information contained in Item #2 above. In addition, PIH utilized administrative funds in the amount of \$14,308 to bring in the Interim Ad Hoc Resident Advisory Committee. This Committee consists of resident leaders across the country and representatives from resident advocacy groups for consultation on HUD's policies and procedures.

(4) A copy of any TOP grants awarded to residents in Chicago, New York City, Passaic, and Detroit.

Response: The following is a list of FY 94 and 95 TOP grants in the requested cities. Please note that the term for the grant is up to five years; at \$100,00 per grant, the resident funding is \$20,000 per year. Copies of the grant applications and evaluation sheets on these grants will be provided under separate cover as soon as possible. Please note that these TOP grantees represent a small number of the resident groups in the requested cities.

Chicago, IL

TOTAL: \$340,000

1995

Randolph Towers Resident Organization	\$100,000
Lowden Homes Resident Council	\$100,000

1994

Northeast Scattered Sites RMC	\$100,000
It's Time for a Change Resident Management	\$ 40,000

-6-

Detroit, MI TOTAL: \$1,400,000

1994

Sheridan I Resident Council	\$100,000
Warren West Resident Council	\$100,000
Parkside Homes Resident Council	\$100,000
Sheridan II Resident Council	\$100,000
Conner-Waveney Resident Council	\$100,000
Woodland Resident Council	\$100,000
Forest Park Place Resident Council	\$100,000
Herman Gardens Resident Council	\$100,000
Smith Homes Resident Council	\$100,000
Brewster-Douglas Resident Council	\$100,000
Edward J. Jeffries Homes Resident Council	\$100,000
State Fair Resident Council	\$100,000
Sojourner Truth Homes Resident Council	\$100,000
Diggs Homes Resident Council	\$100,000

New York, NY TOTAL: \$400,000

1995

Gowanus Housing Tenant Association	\$100,000
Ralph J. Rangel Tenant Association	\$100,000

1994

WSURA Brownstones Tenant Association	\$100,000
Dewitt Clinton Houses Tenant Assn	\$100,000

Passaic, NJ TOTAL: \$100,000

1995

Alfred Speer Village Resident Council	\$100,000
---------------------------------------	-----------

(5) Any other information or material you believe to be relevant to our discussion of HUD's management and oversight of funds targeted for tenant programs.

Response: HUD has an institutionalized system for managing and monitoring TOP/RM funds. TOP/RM is managed by HUD field offices who are responsible for monitoring the program, including the provision of TA and training to grantees. Ongoing efforts are being made at HUD Headquarters to assess, revise and strengthen procedures to promote program efficiency and effectiveness. The preparation and monitoring of TOP/RM grants include:

Grant Application System

- o A comprehensive application process with specific selection criteria for applicants in order to compete for grant funds. A Notice of Funding Availability (NOFA) and a structured application kit is published in the Federal Register. (Your Committee has a copy of this.)
 - Grant application preparation by the prospective awardee requires a description of the need for the project, project objectives, TOP/RM work plan and budget, support by project residents, the housing authority, and public/private agencies, as well as financial capability of the resident grantee;
 - Review and evaluation of grant applications are carried out by an independent evaluation panel made up of staff from various HUD field offices;
 - Computerized ranking of applications to ensure accuracy in the final selections.
- o Financial System
 - Computerized Cash Management and Disbursement System through the Line of Credit Control System (LOCCS) that limits funding access to amounts specified and approved by HUD in the grantee's work plan/budget;
 - Requirement for an Independent Public Accountant to set up and certify the grantee's financial management and accounting system;
 - Cost requirements to ensure that TOP/RM activities are reasonable;
 - Audit by a certified public accountant when the TOP/RM program is completed;
 - Requirement for financial management controls pursuant to OMB Circulars A-110/24 CFR Part 84 to ensure accountability of TOP/RM dollars;

- 6 -

- o -- Procurement policy pursuant to OMB Circulars A-122 and Part 84 to ensure proper and competitive execution of procurement transactions, including standards of conduct for TOP/RM grantees to avoid any conflict of interest.
- o Administrative and Program Requirements:
 - Performance standards and timeframes that reflect the outcome and products/deliverables in the TOP/RM work plan;
 - Automated semi-annual progress reports submitted to the field office to ensure timely progress.
- o Work Plan/Budget Requirements:
 - Requirement for established Goals, Objectives and Budget line items broken out into specific work plan tasks;
 - Review and approval by HUD FO prior to implementing TOP/RM activities;
 - Utilize the LOCCs cash management system to control how expenditures relate to the key elements of their work plan/budget.
- o Technical Assistance/Training
 - Extensive training provided to newly funded grantees along with PHAs/HUD staff on procedures on OMB 24 Part 84; financial management and procurement procedures, TOP Work Plan/Budget implementation, partnership building, conflict resolution;
 - Follow-up training provided to grantees on new policies and procedures to ensure compliance with Federal regulations and to facilitate accomplishment of program goals.

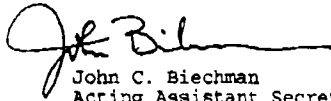
Again, the primary intent of the TOP/RM program is to provide technical assistance and training to resident organizations. Residents are allowed to hire consultants/trainers in order to receive technical assistance as long as the cost for one consultant does not exceed 50% of the grant.

- 9 -

Consultants provide training and technical assistance to increase residents' capacity for job development, business development and economic lift. The remaining dollars are used for various other purposes to support the organization's goals and objectives, such as organizational development, establishment of a financial management system, hiring a grants management coordinator, travel, etc.

Thank you for providing HUD with the opportunity to address your concerns.

Sincerely,

A handwritten signature in dark ink, appearing to read "John Biechman", with a long horizontal flourish extending to the right.

John C. Biechman
Acting Assistant Secretary

Enclosures

WILLIAM F. CLINGER, JR., PENNSYLVANIA
Chairman

BENJAMIN A. GILMAN, NEW YORK
DAN BURTON, INDIANA
J. DENNIS HASTERT, ILLINOIS
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SUBCOMMITTEE ON HUMAN RESOURCES
AND INTERGOVERNMENTAL RELATIONS

Christopher Shays, Connecticut

Chairman

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October 20, 1995

CARDISS COLLINS, KENTUCKY
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BILLY BREWSTER, OKLAHOMA

GEORGE SANDERS, VERMONT
INDEPENDENT

MAJORITY—(202) 225-2574
MINORITY—(202) 225-2601

The Honorable Henry Cisneros
Secretary
Department of Housing and Urban Development
451 Seventh Street, S.W.
Washington, D.C. 20410

Dear Henry:

Allegations that the former Chicago Housing Authority (CHA) administration inaccurately calculated the Performance Funding System (PFS) allocation for 1230 North Burling were recently brought to my attention. If the PFS for 1230 North Burling was inaccurately calculated, it is possible that the Resident Management Corporation (RMC) contracted by CHA to perform certain management responsibilities at 1230 North Burling may have received insufficient funds for their services. To assist the subcommittee with its ongoing oversight duties regarding CHA, please submit the following for the subcommittee's review:

- 1) A copy of all contracts and/or agreements in place between CHA and the RMC of 1230 North Burling.
- 2) A description of the means by which CHA derived the PFS budget for 1230 North Burling. Please include any supporting documents that detail the PFS allocation and/or budget for 1230 North Burling.
- 3) A copy of all CHA and HUD correspondence, notes, memorandum and other documents relating to the grievances of the RMC of 1230 North Burling with respect to the PFS allocation.
- 4) Any RMC monitoring reports by CHA on 1230 North Burling.

5) The RMC incorporation letter for 1230 North Burling, a list of the 1230 North Burling board members, a list of the tenant council members for the building, the Independent Public Accountant (IPA) report for 1230 North Burling RMC and all financial statements for the 1230 North Burling RMC.

Please submit your response to the subcommittee by November 3, 1995. Should you have any questions, please feel free to contact Demi Greatorex at (202) 225-2548.

I appreciate your assistance in this matter.

Sincerely,


Christopher Slays
Chairman

cc: Susan Gaffney, Inspector General, Department of Housing and Urban Development



U. S. Department of Housing and Urban Development
Washington, D.C. 20410-8000

NOV 7 1995

OFFICE OF THE ASSISTANT SECRETARY FOR
CONGRESSIONAL AND INTERGOVERNMENTAL RELATIONS

Honorable Christopher Shays
Chairman, Subcommittee on Human Resources
and Intergovernmental Relations
Committee on Government Reform and Oversight
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

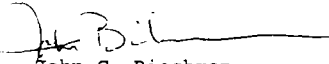
On behalf of Secretary Cisneros, thank you for your letter of October 20, 1995, which requested various documents relating to the Chicago Housing Authority's (CHA) calculation of the Performance Funding System (PFS) operating subsidy eligibility for the 1230 North Burling Resident Management Corporation (RMC). As requested, to further assist your subcommittee with its oversight responsibilities, enclosed is the following information:

- 1) A copy of the current Management Agreement between the CHA and the RMC.
- 2) A description, submitted by the CHA, of the method by which it calculates the RMC's PFS calculation of operating subsidy eligibility. Subsidy calculations for 1994 and 1995.
- 3) A copy of the Articles of Incorporation for the RMC, dated May 10, 1988.
- 4) Audit report for the period December 31, 1993, through May 31, 1994.
- 5) Operating Receipts and Expenditures and payment schedules.
- 6) Listing of Board of Directors.

Your letter also requested copies of CHA and Department of Housing and Urban Development (HUD) documents relating to the subject RMC's grievances and CHA monitoring reports of the RMC. Please be advised that this Department is not aware of any grievances submitted by the RMC. Also, information was requested from the CHA relating to RMC grievances and CHA monitoring reports of the RMC, however, no such documents have been submitted.

Should you or your staff require any additional information, please feel free to contact John Comerford, Director, Office of Public Housing Management or Karen Cato-Turner of his staff at (202) 708-1872. I hope this information is helpful. Thank you for your interest in the Department's programs.

Sincerely,

A handwritten signature in dark ink, appearing to read "John Biechman", with a long horizontal line extending to the right.

John C. Biechman
Acting Assistant Secretary

Enclosures

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